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CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

OPERATING RESULTS for FILLING STATIONS and GARAGES IN CANADA 1938

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CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

Operating Results for Filling Stations and Garages in Canada, 1938

Introduction

This report is one of a series presenting average operating results in various branches of retail trade in Canada in 1938. The basic data from which the report was compiled were secured in connection with the annual survey of retail trade, conducted by the Internal Trade Branch of the Dominion Bureau of Statistics and designed chiefly to provide information regarding annual trends in various kinds of business. Only a limited number of firms maintain detailed records of their operating expenses. This report is based on returns submitted by the operators of 150 filling stations and 137 garages who were able to furnish detailed profit and loss statements for the year. In view of the lack of uniformity among business houses in methods of recording and classifying expense data the figures given here must be considered as indicators of general relationships rather than as material, the absolute accuracy of which can be guaranteed.

Filling Stations

The 150 filling stations included in the survey had average sales per station of $27,141 for 1938; they operated on a gross margin ratio of 21.6 per cent of sales, had operating expenses of 20.4 per cent of sales resulting in a net profit of 1.2 per cent of sales. The operating expense ratio includes an estimated value for the services of those proprietors who devoted the major portion of their time to their retail business; it does not include interest on own capital investment.

Of the 150 filling stations included in the survey, 41 occupied owned premises while 109 occupied rented premises. Gross margin and operating expense ratios were higher for rented than for owned stations. The higher expense ratio for rented premises may be explained in part by the fact that interest on investment is normally considered in setting the rental costs which are included in the expense data. On the other hand no provision for interest on own investment is made in the case of owned stations.

Approximately 57 per cent of the stations reporting operated on a profit while 43 per cent operated at a loss. The profitable stations operated on a higher gross margin ratio and had lower operating expenses than had the unprofitable firms. There were 85 stations which operated on a profitable basis; these had average annual sales of $27,918 per station, operated on a gross margin ratio of 22.9 per cent of sales and had operating expenses of 19.5 per cent of sales. The 65 unprofitable stations had average annual sales of $26,123, average gross margin of 19.9 per cent of sales and operating expenses of 21.7 per cent of sales.

The proportion of profitable to total firms reporting was greater for large than for small stations. Stations with annual sales of from $10,000 to $19,999 and included in the survey were about equally divided, 29 reporting a profit on the year's operations while 26 reported a loss. Stations in the $20,000 to $29,999 group were divided in the ratio 60 per cent profitable and 40 per cent unprofitable while a group of 45 larger stations with sales ranging up to $100,000 was comprised of 26 profitable and 19 unprofitable units.

Garages

For purposes of the annual Census of Merchandising garages are taken to include only those establishments selling gas, oil and accessories for the atuomotive trade and whose receipts from repair operations form a part but not the major part of their total annual business. Firms whose receipts from repairs and services form more than 50 per cent of their total business are not considered as merchandising establishments but are assigned to the service group.

Detailed reports from 137 garages as defined in the preceding paragraph indicated that these establishments operated on an average gross margin of 33.1 per cent of sales, and had total operating expenses of 32.0 per cent of sales resulting in an average net profit of 1.1 per cent of sales. Stocks were turned on an average of 9.9 times during the year.

The higher gross margin for garages compared with that for filling stations is a natural consequence of the inclusion of a considerable amount of receipts from repairs in the operating revenue of the former type of business. Labor costs involved in these repairs are not included in the cost of goods sold resulting in a higher gross margin (difference between total receipts and cost of goods sold). But these extra labor costs do appear in the payroll and total operating expense figures resulting in higher expense ratios for garages than for filling stations.

Of the 137 garages included in the survey, 76 operated at a profit and 61 operated at a loss. The 76 profitable firms operated on a gross margin of 34.5 per cent of sales, had total operating expenses of 30.9 per cent of sales and a net operating profit of 3.6 per cent of sales. The 61 unprofitable firms operated on a gross margin ratio of 31.1 per cent of sales and had total operating expenses of 33.5 per cent resulting in a net loss of 2.4 per cent of sales.

A group of 62 garages, each with annual receipts of between five and twenty thousand dollars was divided equally between those which operated at a profit and those which operated at a loss. Another group of 75 garages each with annual receipts ranging between twenty and a hundred thousand dollars included twice as many profitable as unprofitable firms.

Proprietors' Earnings

A major problem in any operating expense study for the retail trades is that of allocating an amount to the payroll cost to provide for the managerial services of proprietors of unincorporated companies. The method followed for this study was as follows:

The expense schedule asked that the number and salaries of proprietors receiving a stated salary be reported. It also asked for the number of proprietors who did not draw a stated salary but whose remuneration consisted only of profits secured from the year's operations. The returns of those firms reporting proprietors' salaries were used in arriving at an average salary per proprietor for stores in different size classes. These averages were then assigned to all proprietors in each size class irrespective of whether or not stated salaries were reported. This practice leads to the classification as unprofitable of some returns whose actual figures may have shown a profit due to a very small amount being reported for proprietors' salaries. On the other hand, it transferred to the profitable classification some returns on which the appearance of an unduly large item for proprietors' salaries would have assigned to the unprofitable group. Average values of proprietors' services for various size classes as used in this survey are as follows:

Annual Sales $	Proprietors' Earnings $
5,000 - 9,999	800
10,000 - 19,999	1,100
20,000 - 29,999	1,300
30,000 - 39,999	1,700
40,000 - 49,999	1,900
50,000 - 59,999	2,000
60,000 - 79,999	2,300
80,000 - 99,999	2,500

Explanation of Terms

Gross Margin

Gross margin represents the difference between net sales and the cost of goods sold which amount is obtained by adjusting purchases of goods during the year for differences between year-end inventories. That is to say, cost of goods sold equals the value of inventory at the beginning of the year, increased by the value of goods purchased and decreased by the inventory at the end of the year. Value of purchases includes the invoice value of goods bought less any returns, allowances or discounts received from manufacturers or wholesalers. The cost of goods also includes duty and inward freight, express or truckage. Outward delivery costs and other store expenses are not included.

Payroll

Payroll includes salaries, wages and commissions paid to all full-time or part-time employees including amounts paid to members of proprietors' families who serve in the capacity of employees. It also includes an imputed value for the services of proprietors who devote the major portion of their time to the business in question.

Advertising

Included in this item are all amounts paid for various types of advertising, newspaper, handbill, radio, etc.

Supplies

The amount reported under this heading includes expenditures for all supplies used in connection with the business such as wrapping paper, bags, twine, office supplies and in addition supplies such as gas and oil for the firm's own delivery equipment.

Communication

Telephone, telegraph and postage were to be reported under this heading.

Taxes

All licenses and taxes including both property and business taxes but exclusive of Dominion income taxes were to be reported here.

Insurance

Amount of premiums paid for insurance of all types carried in connection with the business was to be reported: fire, theft, plate glass, insurance on delivery equipment, etc.

Rent

Only rentals paid for premises actually used in connection with the business were to be reported. The figures reported included all such rentals whether representing payments on a gallonage basis or normal rental costs.

Heat, Light and Power

Water rates, if paid separately from taxes, were to be included here in addition to all amounts paid for fuel, light and power.

Bad Debt Losses

Each firm was asked to report the amount actually written off as bad debts during the year less bad debts written off in previous years and recovered in the year in question. In some instances amounts transferred to bad debt reserves may have been reported rather than the amount actually written off.

Repairs and Maintenance

This item includes amounts paid for repairs and maintenance to buildings, furniture, fixtures and store or delivery equipment. Labour costs coming through the store's own payroll were to be included in the payroll item and not in this category.

Interest

Only interest paid on borrowed money, bank, mortgage, etc., was to be reported. No allowance was made for interest on own capital investment.

Depreciation

Each firm was asked to report what it considered to be a fair charge for annual depreciation on owned buildings, furniture and store or delivery equipment. From two to five per cent is generally allowed on the cost or purchase price of buildings depending upon the type of construction. Five per cent of cost is frequently allowed on store furniture and fixtures and twenty per cent on the cost of delivery equipment.

Sundry Expense

This includes all expenses not otherwise allocated. No separate provision was made for amounts paid outside agencies for delivery to purchasers. Such amounts would normally be assigned to the sundry expense item.

Stock-turn Rate

Rate of stock-turn was obtained by dividing the average of the year-end stock figures into the cost of goods sold. By this means the numerator and denominator in the ratio were brought to the same value basis. But no information is available to indicate the extent to which the average of the year-end figures may be representative of the average stock carried throughout the twelve-month period. Thus while the ratios shown in the tables may be used as a basis for comparisons with individual results, their accuracy as a measure of the number of times that stock was turned over during the year cannot be guaranteed.

Table 1.--Operating Results of Filling Stations Classified by Sales Volume and Occupancy Basis, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stations, Total			$10,000 - $19,999		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Stations Reporting	150	41	109	55	18	37
Total Sales	$4,071,075	1,067,807	3,003,268	848,484	272,534	575,950
Average Sales per Station	$ 27,141	26,044	27,553	15,427	15,141	15,566
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	21.6	18.7	22.7	21.3	19.2	22.3
Expenses						
Proprietor's salaries	5.0	4.9	5.0	7.1	8.1	6.7
Employee's salaries and wages ..	7.8	6.8	8.1	5.8	5.2	6.1
Advertising	0.3	0.5	0.3	0.3	0.2	0.3
Supplies	0.9	0.8	1.0	0.8	0.6	0.9
Communication	0.3	0.3	0.4	0.5	0.4	0.5
Rent	2.2	-	2.9	2.2	-	3.2
Taxes	0.5	0.9	0.4	0.7	1.2	0.4
Insurance	0.3	0.4	0.3	0.3	0.4	0.2
Light, heat and power	1.0	0.9	1.0	1.2	1.2	1.3
Repairs	0.3	0.5	0.2	0.4	0.9	0.2
Depreciation	0.9	1.3	0.7	0.8	1.3	0.6
Bad debts	0.4	0.3	0.5	0.3	0.3	0.3
Interest on borrowed money	0.2	0.3	0.1	0.2	0.4	0.1
Sundry expense	0.3	0.2	0.4	0.2	0.1	0.3
Total Expense	20.4	18.1	21.3	20.8	20.3	21.1
Net Profit or Loss	+1.2	+0.6	+1.4	+0.5	-1.1	+1.2
OTHER INFORMATION						
Stock Turnover (times per year) ..	21.8	14.8	26.5	19.3	13.2	25.0

Table 1.--Operating Results of Filling Stations Classified by Sales Volume and Occupancy Basis, Canada, 1938-(Cont.)

Item	AMOUNT OF ANNUAL SALES					
	$20,000 - $29,999			$30,000 - $99,999		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Stations Reporting	50	11	39	45	12	33
Total Sales	$1,198,308	268,359	929,949	2,024,283	526,914	1,497,369
Average Sales per Station	$ 23,966	24,396	23,845	44,984	43,910	45,375
PROFIT AND LOSS--(In percentage of sales)						
Gross Margin or Profit	20.7	19.4	21.0	22.3	18.1	23.8
Expenses						
Proprietor's salaries	5.4	4.4	5.7	3.8	3.5	3.9
Employee's salaries and wages ..	6.6	7.0	6.5	9.3	7.5	10.0
Advertising	0.2	0.4	0.2	0.4	0.6	0.4
Supplies	1.0	1.1	1.0	0.9	0.7	1.0
Communication	0.4	0.3	0.4	0.3	0.2	0.3
Rent	2.2	-	2.8	2.2	-	2.9
Taxes	0.5	0.9	0.4	0.5	0.8	0.4
Insurance	0.2	0.3	0.2	0.3	0.4	0.3
Light, heat and power	1.1	0.8	1.2	0.8	0.8	0.8
Repairs	0.3	0.3	0.2	0.3	0.5	0.2
Depreciation	0.7	1.2	0.6	1.0	1.4	0.8
Bad debts	0.4	0.4	0.4	0.5	0.3	0.6
Interest on borrowed money	0.1	0.2	0.1	0.2	0.2	0.1
Sundry expense	0.3	0.2	0.3	0.4	0.3	0.5
Total Expense	19.4	17.5	20.0	20.9	17.2	22.2
Net Profit or Loss	+1.3	+1.9	+1.0	+1.4	+0.9	+1.6
OTHER INFORMATION						
Stock Turnover (times per year) ..	20.9	12.9	25.6	23.7	17.1	27.8

Table 2.--Operating Results of Filling Stations Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stations, Total			$10,000 - $20,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
	GENERAL INFORMATION					
Number of Stations Reporting ..	150	85	65	55	29	26
Total Sales	$4,071,075	2,373,065	1,698,010	848,484	463,023	385,461
Average Sales per Station	$ 27,141	27,918	26,123	15,427	15,966	14,825
	PROFIT AND LOSS-- In percentages of sales)					
Gross Margin or Profit	21.6	22.9	19.9	21.3	23.9	18.2
Expenses						
Proprietor's salaries	5.0	5.2	4.7	7.1	6.6	7.7
Employee's salaries and wages	7.8	7.0	8.8	5.8	5.8	5.7
Advertising	0.3	0.3	0.4	0.3	0.3	0.2
Supplies	0.9	0.9	0.9	0.8	0.8	0.8
Communication	0.3	0.4	0.4	0.5	0.6	0.4
Rent	2.2	2.2	2.1	2.2	2.2	2.1
Taxes	0.5	0.5	0.6	0.7	0.6	0.7
Insurance	0.3	0.2	0.3	0.3	0.3	0.3
Light, heat and power	1.0	0.9	1.1	1.2	1.2	1.3
Repairs	0.3	0.2	0.5	0.4	0.4	0.6
Depreciation	0.9	0.8	1.0	0.8	0.7	0.9
Total occupancy costs*	5.2	4.8	5.6	5.6	5.4	5.9
Bad debts	0.4	0.4	0.4	0.3	0.3	0.3
Interest	0.2	0.1	0.2	0.2	0.3	0.2
Sundry expense	0.3	0.4	0.3	0.2	0.2	0.2
Total Expense	20.4	19.5	21.7	20.8	20.3	21.4
Net Profit or Loss	+1.2	+3.4	-1.8	+0.5	+3.6	-3.2
	OTHER INFORMATION					
Stock Turnover (times per year)	21.8	22.3	21.2	19.3	21.4	17.4

*Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 2.--Operating Results of Filling Stations Classified by Sales Volume and Net Profit or Loss, Canada, 1938-(Cont.)

Item	AMOUNT OF ANNUAL SALES					
	$20,000 - $29,999			$30,000 - $99,999		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stations Reporting ..	50	30	20	45	26	19
Total Sales	$1,198,308	716,850	481,458	2,024,283	1,193,192	831,091
Average Sales per Station	$ 23,966	23,895	24,073	44,984	45,892	43,742
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	20.7	21.7	19.2	22.3	23.2	21.1
Expenses						
Proprietor's salaries	5.4	5.1	6.0	3.8	4.6	2.6
Employee's salaries and wages	6.6	5.9	7.6	9.3	8.1	11.0
Advertising	0.2	0.3	0.2	0.4	0.3	0.5
Supplies	1.0	1.1	0.9	0.9	0.9	0.9
Communication	0.4	0.4	0.4	0.3	0.3	0.3
Rent	2.2	2.0	2.4	2.2	2.3	2.0
Taxes	0.5	0.5	0.5	0.5	0.5	0.6
Insurance	0.2	0.2	0.2	0.3	0.2	0.4
Light, heat and power	1.1	1.1	1.1	0.8	0.7	1.0
Repairs	0.3	0.2	0.3	0.3	0.2	0.5
Depreciation	0.7	0.8	0.6	1.0	0.8	1.2
Total occupancy costs*	5.0	4.8	5.1	5.1	4.7	5.7
Bad debts	0.4	0.4	0.4	0.5	0.4	0.6
Interest	0.1	0.1	0.2	0.2	0.1	0.3
Sundry expense	0.3	0.2	0.3	0.4	0.5	0.4
Total Expense	19.4	18.3	21.1	20.9	19.9	22.3
Net Profit or Loss	+1.3	+3.4	-1.9	+1.4	+3.3	-1.2
OTHER INFORMATION						
Stock Turnover (times per year)	20.9	19.9	22.5	23.7	24.4	22.8

*Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Garages Classified by Sales Volume and Occupancy Basis, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Garages, Total			$5,000 - $19,999		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Garages Reporting	137	80	57	62	39	23
Total Sales	$3,534,383	1,956,887	1,577,496	818,327	477,521	340,806
Average Sales per Garage	$ 25,798	24,461	27,675	13,199	12,244	14,818
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	33.1	32.9	33.4	31.0	28.5	34.6
Expenses						
Proprietor's salaries	4.6	4.5	4.8	7.5	6.8	8.4
Employee's salaries and wages ...	14.4	14.2	14.6	11.0	10.4	11.8
Advertising	0.5	0.4	0.6	0.3	0.3	0.3
Supplies	1.4	1.3	1.6	1.2	1.1	1.4
Communication	0.6	0.5	0.5	0.6	0.6	0.6
Rent	2.0	-	4.5	1.8	-	4.4
Taxes	1.7	2.6	0.6	1.5	2.0	0.8
Insurance	0.7	0.9	0.4	0.6	0.7	0.3
Light, heat and power	1.7	1.7	1.7	1.9	1.9	2.0
Repairs	0.7	1.0	0.4	0.6	0.8	0.3
Depreciation	1.6	2.0	1.1	1.9	2.3	1.3
Bad debts	0.6	0.4	0.9	0.5	0.4	0.6
Interest on borrowed money	0.5	0.8	0.1	0.4	0.7	0.1
Sundry expense	1.0	1.0	1.1	0.7	0.6	0.9
Total Expense	32.0	31.3	32.9	30.5	28.6	33.2
Net Profit or Loss	+1.1	+1.6	+0.5	+0.5	-0.1	+1.4
OTHER INFORMATION						
Stock Turnover (times per year) ...	9.9	8.8	11.8	8.2	6.9	11.7

Table 3.--Operating Results of Garages Classified by Sales Volume and Occupancy Basis, Canada, 1938-(Cont.)

Item	AMOUNT OF ANNUAL SALES		
	$20,000 - $99,999		
	Total	Owned	Rented
	GENERAL INFORMATION		
Number of Garages Reporting	75	41	34
Total Sales	$2,716,056	1,479,366	1,236,690
Average Sales per Garage	$ 36,214	36,082	36,373
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	33.8	34.3	33.1
Expenses			
Proprietor's salaries	3.8	3.7	3.8
Employee's salaries and wages	15.4	15.4	15.4
Advertising	0.6	0.5	0.7
Supplies	1.5	1.4	1.6
Communication	0.5	0.5	0.5
Rent	2.1	-	4.6
Taxes	1.8	2.8	0.6
Insurance	0.7	0.9	0.5
Light, heat and power	1.6	1.6	1.6
Repairs	0.7	1.0	0.4
Depreciation	1.5	2.0	1.0
Bad debts	0.6	0.4	0.9
Interest on borrowed money	0.5	0.9	0.1
Sundry expense	1.1	1.1	1.1
Total Expense	32.4	32.2	32.8
Net Profit or Loss	+1.4	+2.1	+0.3
	OTHER INFORMATION		
Stock Turnover (times per year)	10.6	9.8	11.8

Table 4.--Operating Results of Garages Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Garages, Total			$5,000 - $19,999		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Garages Reporting	137	76	61	62	31	31
Total Sales	$3,534,383	2,078,443	1,455,940	818,327	408,087	410,240
Average Sales per Garage	$ 25,798	27,348	23,868	13,199	13,164	13,234
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	33.1	34.5	31.1	31.0	33.0	29.1
Expenses						
Proprietor's salaries	4.6	4.4	4.9	7.5	7.0	8.0
Employee's Salaries and Wages ...	14.4	13.9	15.0	11.0	10.8	11.2
Advertising	0.5	0.5	0.5	0.3	0.3	0.4
Supplies	1.4	1.4	1.5	1.2	1.0	1.4
Communication	0.6	0.5	0.6	0.6	0.6	0.7
Rent	2.0	1.9	2.2	1.8	2.2	1.4
Taxes	1.7	1.8	1.7	1.5	1.1	1.8
Insurance	0.7	0.7	0.7	0.6	0.6	0.5
Light, heat and power	1.7	1.7	1.6	1.9	1.8	2.0
Repairs	0.7	0.7	0.7	0.6	0.7	0.5
Depreciation	1.6	1.4	1.9	1.9	1.4	2.4
Total occupancy costs*	8.4	8.2	8.8	8.3	7.8	8.6
Bad debts	0.6	0.7	0.4	0.5	0.3	0.6
Interest on borrowed money	0.5	0.3	0.8	0.4	0.3	0.5
Sundry expense	1.0	1.0	1.0	0.7	0.6	0.9
Total Expense	32.0	30.9	33.5	30.5	28.7	32.3
Net Profit and Loss	+1.1	+3.6	-2.4	+0.5	+4.3	-3.2
OTHER INFORMATION						
Stock Turnover (times per year) ...	9.9	9.3	11.0	8.2	7.3	9.4

*Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 4.--Operating Results of Garages Classified by Sales Volume and Net Profit or Loss, Canada, 1938-(Cont.)

Item	AMOUNT OF ANNUAL SALES $20,000 - $99,999 Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Garages Reporting	75	45	30
Total Sales	$2,716,056	1,670,356	1,045,700
Average Sales per Garage	$ 36,214	37,119	34,857
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	33.8	34.9	31.9
Expenses			
Proprietor's salaries	3.8	3.8	3.7
Employee's salaries and wages	15.4	14.6	16.6
Advertising	0.6	0.6	0.6
Supplies	1.5	1.5	1.5
Communication	0.5	0.5	0.6
Rent	2.1	1.8	2.6
Taxes	1.8	1.9	1.6
Insurance	0.7	0.7	0.8
Light, heat and power	1.6	1.6	1.5
Repairs	0.7	0.7	0.7
Depreciation	1.5	1.5	1.7
Total occupancy costs*	8.4	8.2	8.9
Bad debts	0.6	0.8	0.3
Interest on borrowed money	0.5	0.3	0.8
Sundry expense	1.1	1.2	1.0
Total Expense	32.4	31.5	34.0
Net Profit or Loss	+1.4	+3.4	-2.1
	OTHER INFORMATION		
Stock Turnover (times per year)	10.6	10.0	11.8

*Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

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Minister of Trade and Commerce

CANADA

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES BRANCH

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 6

INDEPENDENT AUTOMOBILE DEALERS
INDEPENDENT FILLING STATIONS
INDEPENDENT GARAGES

Including

Purpose, Importance, Explanation of Use, Summary of Results,
and
Statistical Tables

OTTAWA
1946

Price 25 cents

FOREWORD

For some time the Bureau has recognized the practical value of published information on average operating results, that is, on average rates of expenses and profits, etc., in the principal retail trades. Indeed the first studies of this nature were made for the year 1938, and since then an increasing demand for such information has been experienced by this Bureau. It is in response to this demand that the present series of reports is now being issued.

Concerned mainly with average expense and profit percentages, comprehensive information on the operating results of retail stores deals with many of the significant factors which eventually determine their success or failure. Such information therefore represents the results which many retailers have obtained in meeting the problems that are common to their particular kind of business. Statistics of this nature, moreover, have the practical value of enabling individual merchants to compare their own rates of expenses and profits with the results of similar stores in their trade, from which they can isolate for further analysis the areas in which their performance has been below average. The resulting opportunities for improving the efficiency in retail store managements may well be of some importance in peacetime as Canadian retailers under more competitive conditions endeavour to distribute the products of an expanded industrial economy. These considerations and possibilities have been set forth under the heading "Importance of Information on Operating Results in Retail Trade" commencing on page 2 of these reports. A separate discussion beginning on page 8 under the topic "How the Retailer Can Use Information on Operating Results" has also been included as a possible guide to retailers using the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in respect to their coverage and representativeness. This is because the figures are based, not upon a comprehensive survey of large numbers of co-operating stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be large enough to permit the different influences affecting operating results to average themselves out and thus present the more typical operating experiences of stores in the different size and occupancy classifications of stores. For many kinds of stores, unfortunately, the number of usable returns when distributed between these classifications may be too small to permit any special or erratic conditions completely to iron or cancel themselves out. These aspects of the reports are discussed more fully under the heading "Limitations to Information on Operating Results" on page 6 of the bulletins, and to some extent under "How the Retailer Can Use Information on Operating Results" on page 8, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in nature and must await the results of subsequent surveys for conclusive evidence as to the validity of many of the statistics herein presented.

In spite of the preliminary nature of the statistics, however, these reports are being issued in the belief that they will at least reveal the future scope for such studies and may well provide some useful, although perhaps rough, indications of the operating experiences of the retail trades under review. The bulletins have been prepared in the Merchandising and Services Branch of the Bureau, of which Mr. A.C. Steedman, B.A., is Chief, by Mr. A.M. Chipman, M.B.A., Statistician in the Branch. The suggestions of those obtaining and using these reports will be most welcome to the end that better and more useful studies can be made in future.

Herbert Marshall

H. Marshall,
Dominion Statistician.

TABLE OF CONTENTS

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DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES BRANCH
OTTAWA -- CANADA

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OPERATING RESULTS OF INDEPENDENT RETAIL STORES, 1944

PART I - GENERAL SECTION

This report is one of a series presenting average operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first series of such studies was made by the Bureau for the year 1938 and presented somewhat similar information on average operating expenses and profits against which individual firms could compare their own results. Since that time requests have been received on an expanding scale for corresponding types of reports, a fact which indicates the growing interest of merchants and others in information on costs in retail trade. It is in response to this demand that these reports are now being issued.

The basic information for such studies was obtained primarily for the purpose of improving the Bureau's estimates of the country's National Income which originated in unincorporated and independent retail stores. Such establishments predominate to a marked extent in retail trade, comprising 90 per cent of all 137,331 stores enumerated in the 1941 Census; accounting for 55 per cent of total sales of $3,440,901,700, and providing a livelihood for nearly 132,000 proprietors and partners. The net earnings of these proprietors and partners thus represent an important contribution to the National Income totals. Aggregate figures on these net earnings, however, are not readily available to the Bureau from other sources and for this reason it was decided early in 1945 to obtain the required information by a direct survey of sample groups of retail stores.

Accurate and comprehensive figures on the National Income are now regarded as one of the best measures of the purchasing power and economic activity of the country. These statistics, consequently, are highly important as aids to both governments and business in the determination of their plans and policies, and particularly so in relation to the problem of maintaining high levels of employment within the country. Periodic surveys of retail trade will therefore be made to obtain the information necessary to estimate accurately the total net earnings of unincorporated retail stores for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on average operating results will be made available to retailers in even greater detail than has been found possible in the recent survey. Thus, the co-operation of retailers in supplying information on their own operating experiences has two beneficial

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results. In the first instance it enhances the accuracy of the Bureau's estimates of the National Income and the soundness of the governmental and business policies which are based on such figures. Secondly, the co-operation of retailers in these surveys provides them with yardsticks of performance against which they can compare their own financial results.

The figures which co-operating retailers supply to the Bureau on their costs, expenses and profits are quite obviously highly confidential in nature. They are strictly so regarded by the Bureau and are used only for the two purposes just outlined with no disclosures of the results of individual operations being made.

Information Contained in Reports on Retail Operating Results.

The information presented in this and subsequent bulletins consists primarily of the financial results which the different kinds of co-operating stores obtained in the year under review. The information consequently covers such individual items as net sales, purchases of merchandise for resale and beginning and ending merchandise inventories, cost of goods sold, gross trading profits after costs of merchandise sold have been deducted from sales, the several categories of operating expenses incurred during the period and finally the net earnings available to proprietors after all costs and expenses have been subtracted from sales. In other words, the information here under study consists of the more important financial items usually found in the typical retail Profit and Loss Statement.

There are of course many general factors which commonly affect the financial results of retail stores. Three of the more important of these consist of the kind of business, that is whether the store is a grocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the basis of occupancy, that is whether the store is owned or rented. The reports of the co-operating retail stores were therefore classified by kind of business and within the kind of business categories into groups according to the amount of sales made. These groups were again divided by method of occupancy into "owned" and "rented" categories. The figures were then compiled for each of the individual groups and reduced to the form shown in the tables of this report. Thus gross trading profits, the several expense items and proprietors' net earnings before income taxes and withdrawals appear as percentages of sales while stock turnover appears as a ratio indicating the number of times the average inventories were turned over during the year.

These ratios are therefore averages of the operating results which the different groups of unincorporated stores actually obtained. As such, these averages are at least indicators of rates of gross trading profits, of expenses and net earnings which similar stores may have experienced in the period under review.

Importance of Information on Operating Results in Retail Trade.

The critical value of information on operating results for use in computing the net earnings contributed by unincorporated retail stores to the highly important National Income estimates has already been pointed out. Indeed, the net earnings of individually operated stores add to really sizable contributions, being estimated at nearly $150,000,000 in 1941 and nearly $200,000,000 in 1944. Quite apart from its value in this respect, however, there are other economic and business uses which increase still further the practical importance of this type of information.

Many of these uses arise from economic changes brought about by transition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usually for relatively inadequate and in some lines for severely restricted supplies of merchandise. These conditions in turn tended to reduce the intensity of competition between stores in the same kind of business, as well as competition for the consumer's dollar between stores handling different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stabilize buying and selling price relationships for retailers, and a diminished need for mark downs and sales allowances all exerted influence in the direction of maintaining or improving the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of stores, the sales volumes of individual stores generally increased throughout the war period. These gains in turn tended to level off or to reduce expense percentages, the dollar amounts for some of which had been favourably affected by reduced credit losses and by curtailed expenses of operation.

Different conditions, however, can be expected to prevail in peacetime which, for purposes of discussion, can be broken down into two phases. During the earlier transition period industry will re-convert to peacetime activities and its subsequent production can be deemed to go far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remain relatively high due partly to wartime savings, partly to the high level of industrial activity, and partly, with crops permitting, to the substantial export and domestic demand for food products. An expansion in the numbers of retail stores in business may also be anticipated as war veterans, and individuals displaced from war production, establish their own businesses. During the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to meet popular demands for them. As this period advances, however, consumer demands will settle down more to a replacement basis, expanded output will be able to build up normal stocks of merchandise at different levels in the manufacturing and distributive processes, and the functions of demand creation and sales promotion will become steadily more important.

The more normal peacetime period may therefore be marked by the greater necessity to promote and sell the products of an expanded industry. With freer price relationships between merchandise cost and selling prices then prevailing, greater pressures may be exerted on retailers' gross trading profit margins than before. This condition will probably result from a combination of influences including the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase commodity and store sales through lower prices, and from making mark downs and sales allowances more extensively than in the war and transition periods. Lower individual store sales volumes for many kinds of retail trade on average may also be experienced from increases in the store population, the diffusion of consumer purchasing power over widened ranges of merchandise, including, for instance, automobiles and related products, electrical appliances, etc., and from more intense competition between different types and kinds of retail outlets. These lowered sales volumes will then tend to increase percentage rates of expense, many of which will be forced upward by greater dollar expenditures for advertising, for store renovation, and possibly for the provision of greater services to store customers.

Such tendencies toward reduced store sales volumes, to lowered gross trading profit and to increased operating expense percentages in the more normal peacetime period emphasize the need for progressive improvements in the management of independent stores if their continued existence and their proprietors' standards

of living are to be assured. These conditions thus impose upon retail merchants the necessity for using productive methods of sales promotion to maintain sales volumes, for informed buying and pricing practices to obtain adequate gross trading profits, and for careful control of operating expenses to secure adequate and reasonable net trading profits. They require in addition the periodic self-examination of the merchant's financial results so that weak spots in the store's operations can be revealed and remedied.

These periodic reviews of the store's operations are most revealing when individual merchants can measure their own financial results against certain outside standards or yardsticks of achievement. It is these standards or yardsticks of financial performance which this Bureau is now presenting in its reports on the actual operating results of sample groups of retail stores. With reports of this type, individual merchants can compare their rates of inventory turnover and their percentages of gross trading profits, operating expenses, and net trading profits with those obtained by similar kinds of stores. Guides of this nature enable retailers to determine whether their experiences are better or poorer than average, and where poorer, the factors producing the inferior results can be further analyzed for corrective action.

In addition to serving as aids to store management, information on operating costs is of considerable practical value to individuals planning the establishment of retail businesses. Reports of this type enable prospective retailers to find out what operating conditions are like in the trades they are considering, what net earnings they may reasonably expect from different sales volumes, and what standards they must achieve to obtain the net earnings they desire. The same reports also provide these individuals with knowledge of the average sizes of inventories carried, a factor of importance in estimating their capital requirements. Frequent requests are now received by the Bureau for information on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Provision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are [illegible] the opportunities for profitable establishment in business.

Over a period of years the expanding use of the Bureau's reports on operating results may produce benefits of importance to those engaged in retail trade. These benefits may well appear in the form of greater efficiency in store managements, increased flexibility to meet changing conditions in distribution, and greater stability in the business existence of retail stores through reductions in overall rates of business mortality. Improved management implies a greater knowledge of operating costs and the means of controlling them. It enables the value of services rendered to be measured against their costs, and by focussing attention on the critical gross trading profit percentage emphasizes the importance of careful buying to reduce mark downs, etc., and yet maintain satisfactory net earnings positions. Management of this sort, particularly in the smaller independent stores, also implies an awareness of trends and competitive conditions in retail trade, thus tending to promote the openmindedness and flexibility to meet new problems with new methods and cope with them.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the provision of higher standards of living to those engaged in retailing. Under the pressure of competition lower prices can be passed on to consumers without impairing the earnings of other groups of individuals or producers, thereby increasing indirectly the purchasing power available for other commodities and services. Finally, reductions in business mortalities represents lowered credit losses and the decreased

wastage of capital and effort invested by unsuccessful merchants in their retail businesses.

Methods of Making Survey and of Compiling Results.

As already indicated, the purpose of this survey of operating results was to obtain sufficient information from stores operated by individuals and partnerships to enable accurate overall estimates of their net earnings in 1941 and 1944 to be made for inclusion in National Income figures. This would have involved a coverage according to 1941 figures of some 124,000 stores -- far too many to permit a comprehensive survey of all stores.

It was therefore decided to obtain the results from a sample of these stores, some 17,000 being chosen for this purpose. These stores, although selected at random, were carefully distributed geographically to represent each province and each of the 28 important retail trades from which the information was needed. Not all firms were able readily to provide the required information while changes in business and other causes further reduced the sample. In addition, some of the reporting stores were able to supply figures for only 1944. In general, however, sufficient reports were received to enable overall net earnings' estimates to be made for both 1941 and 1944. Reductions in the size of the sample, however, prevented the preparation of tables showing 1941-1944 comparisons of operating results for some trades and in some cases also limited the extent to which average operating results could be broken down into sales size and "owned" and "rented" classifications.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compilation of reports on operating results in the various kinds of retail business. In addition to the kind-of-business groupings, there were several ways in which the schedules could have been classified such as by size of business and method of occupancy, by provinces or regions by size of business, by size of locality by size of business, etc. Examination of the reports submitted for the different retail trades, however, indicated that in many instances the number of schedules was too small to enable many of these detailed classifications to be made. The reports were therefore grouped on a Canada-wide basis into size-of-business categories and within these by method of occupancy into "owned" and "rented" sub-divisions.

Statistical tables showing average operating results in 1944 for the various retail trades were then prepared. Here the results appear in five size-of-business groups for "owned" and for "rented" stores having 1944 sales volumes of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and sales of $50,000 and over. In some instances, however, the number of reports for "owned" or for "rented" stores was too small to justify the publication of figures for one of these types of occupancy.

Where possible tables were also prepared to present comparative and average figures on the results which identical groups of stores obtained in 1941 and 1944. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, according to the sales they made and the methods of occupancy they used in 1941, irrespective of their size of business or type of occupancy in 1944. Unfortunately, however, comparative statistics for both 1941 and 1944 cannot be published for some retail trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are presented by size-of-business groups for only "owned" or "rented" stores, the sample in these instances being too small to permit statistics for one of these types of occupancy to be of much practical value.

A glance at the tables appearing in this report will reveal quickly the items for which statistics are given in the various size-of-business and occupancy columns. These are grouped into two sections, one designated as the "General Information" and the other as the "Profit and Loss Data" section.

The "General Information" section, as its name implies, consists of statistics useful as background material for interpreting the percentages shown in the following division of the tables. Nine individual items are here shown, consisting of figures on number of stores reporting, sales, inventories, cost of goods sold, and stock turnover in times per year. Apart from "Average Sales Per Store", "Average Inventory Per Store, End of Year", and "Stock Turnover (times per year)", the figures appearing in this section are the dollar totals of the amounts shown in the individual reports of the co-operating stores.

Items included in the "Profit and Loss Data" section consist of "Gross Trading Profit", "Employees' Salaries and Wages", "Rent", "Advertising", "Depreciation", "Other Operating Expenses", "Total Operating Expenses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Average Proprietor's Net Earnings Per Store". Dollar figures for all of the above items with the exception of "Average Proprietor's Net Earnings Per Store" were of course compiled by sales-size and occupancy categories and were then expressed as percentages of the total sales reported by those groups of stores. In this way the percentages become averages for the several classes of unincorporated retail stores.

The explanations for the above terms are set forth later in this report under the sub-heading entitled "How The Retailer Can Use Information on Operating Costs". It can be noted here, however, that both the percentages and the dollar figures for proprietor's net earnings are weighted by the inclusion of two different elements. One of these comprises the proprietor's remuneration for managing the business -- an amount which would in fact have been charged as an expense against the store if the business had been incorporated or had been operated as a unit of a retail chain system -- while the second consists of the smaller and residual net profit element which compensates for capital invested and risked and for unusual merchandising abilities brought into play. Quite obviously the figures shown for net earnings considerably overstate the proprietor's 'net profits' because they also include the allowance for proprietor's managerial services. Questions were consequently included in the schedule to permit objective allowances to be made for these services but insufficient information was obtained to enable the two elements in proprietor's net returns to be separately presented. The final item on average net earnings per store is therefore shown in dollar figures in the tables, partly as an offset to the relatively high net earnings percentages revealed by the previous series and partly to enable the reader to make his own allowances for the two principal elements the net earnings figures contain.

Limitations to Information on Operating Results.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information against which their own results can be compared and analyzed. Others may use the statistics in a broader way as indicators of distribution costs in the various retail trades. Both uses are of course quite proper but the information will serve these uses best when the limitations inherent in the figures are fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retail stores. The averages therefore do not reflect the results obtained by stores operating under the incorporated form of

organization. The absence of these stores probably bears most heavily upon the representativeness of the averages for stores in the higher sales volume brackets in which incorporated stores are most frequently found. Quite apart from differences in the qualities of management between these two types of establishments, however, the figures for average sales and average year-end inventories per store, stock turnover, gross trading profits and percentages for rent, advertising, depreciation and all other operating expenses will be readily useful to incorporated store managements. Employees' salaries and wages and proprietor's net earnings before income taxes and withdrawals, on the other hand, are not comparable without adjustments with similar percentage figures for individual incorporated stores because allowances for proprietors' managerial services have been excluded from the former and included in the latter item.

In the second place, the figures on operating results are based upon returns from relatively restricted numbers of stores in the different retail trades under study. These samples, chosen at random, are presumed to give representation to the several factors which influence operating results, including differences arising from size of business, methods of occupancy, from the sizes of locality and provinces in which the stores are situated, from degrees of service provided to customers, merchandising policies and variations in the quality of store managements. Size of business and method of occupancy rank high among these factors and the tables were therefore prepared to show operating result averages for different sales-size and occupancy groups of stores. Within these breakdowns of the overall sample the remaining factors naturally tend to 'average out' in the Canada-wide operating averages presented.

The proper 'averaging-out' of the above variations is naturally dependent upon a sufficient number of reports being included to permit this process automatically to take place. Examination of the tables, however, will indicate that the number of usable reports included in the various sales-size and occupancy categories is often quite small, frequently representing less than ten stores. In such cases the results should be compared carefully with the results shown for other sales-size brackets to appraise consistencies in trends between the different groups. Where the results appear definitely out of line with these trends, the figures should be interpreted with considerable care because it is quite possible that the averages for that bracket are not typical of the average results for all stores of that size.

The 'averaging-out' within the different sales-size brackets of the factors which affect retail operating results, however, imposes certain limitations upon the use of operating cost information by individual merchants. This is because retailers wish to compare their own results with those obtained by stores as similar to their own as possible. With the tables set up in the present manner, retailers are able in part to do this because they can match their own results against those of stores in their own sales-size and occupancy classes. On the other hand, these overall figures also reflect the combined and average influences of location by provinces and by size of locality, of degrees of service provided and of merchandising policies followed. Individual retail stores, however, experience not the 'average', but rather the full effects of such factors in their operating results. Thus the overall percentages may well be quite accurate in what they represent and yet differ considerably from the experiences of many individual stores. Unfortunately the isolation of such influences would require a considerably larger number of reports than were received from the recent survey of operating costs.

An additional point arises in connection with the way average expense percentages for employees' salaries and wages, advertising and depreciation were built up. Some reports for instance did not show dollar amounts for one or two of

these expense items. When no values were shown for the first two types of expenses, the practice was to accept the report on the assumption that the store required no paid help and in the case of advertising that no such expenditures were incurred. Where no amounts were shown for depreciation and no indication was given that any had been taken, the schedule was examined to see if the size of business justified further attention. If so, the firm was either corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense figures for each item in each individual classification expressed as percentages of the total sales reported by stores in that category. The expense percentages for these three items may therefore be slightly less than they would have been if only the sales of stores reporting full expense figures had been used.

How the Retailer Can Use Information on Operating Results

Mention has already been made of the conditions in retail trade which may prevail in the more normal peacetime period after the transition phase has been negotiated. This possible pattern of economic factors, it was suggested, may include a greater pressure of available supplies on retail and consumer markets, a relatively smaller unstimulated demand for those commodities, a greater competition in retailing associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentages of gross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percentages. Such factors raise the question of how individual merchants can best utilize information on average operating results as a management tool in meeting their problems of transition and adjustment to changing economic conditions.

Use of operating cost averages in this way depends essentially upon comparing results of individual stores with those obtained by similar stores in the same kind of business. The retailers therefore should first determine from the tables the size of business and occupancy categories most similar to his own store. This may be done by comparing his own sales for the period with the sales-size brackets of the tables to determine his size category and by selecting the occupancy basis coinciding with that of his own business. He should next reduce his own financial items such as his stock turnover, his gross trading profits and his several expense categories to conform with those appearing in the tables and express these figures in ratio form -- for the most part as percentages of his own total net sales and receipts from services performed. He is then in a position to compare directly his own results with those which other more or less similar Canadian stores obtained in the same period.

"Number of Stores Reporting", the first item in the tables is also the first item to which the merchant should direct his attention. This figure, indicating the number of reports upon which the following percentages are based, is a good overall indicator of how typical those ratios may be of the entire class of stores they are presumed to represent. Such percentages, it will be recalled, become more accurate as overall measures of their class as the numbers of stores in the sample increases. Consequently the averages for particular categories where the number of reports is small should be compared with other brackets for consistency before those averages are applied against the results of the individual store.

"Average Sales Per Store" is a useful comparative figure because it gives the retailer an idea of the size of the 'average' store in each size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the sales average point in his appropriate category. He can make the necessary allowances therefor when comparing figures for stock

turnover and percentages for the various operating expenses and net earnings with his own results.

"Total Inventory Reported" as a section within the tables contains four items of which the first two and the last will be of considerable interest. The first two show total inventories of merchandise for resale of all reporting stores at the beginning and end of the year under review. Individual merchants can thereby take note of the dollar change in such stocks between the two dates which for the sake of convenience may be reduced to percentage form. This variation can then be compared with changes in their own inventory levels to indicate how their own experiences conform with the trend for the group.

"Average Inventory Per Store, End of Year", the last of such inventory items reduces the total end-of-year stocks of reporting retailers to a per store basis and thereby indicates the average amount of capital per store that was invested in stocks at that date. Admittedly these figures have been influenced by wartime conditions which have affected the quantities on hand, the commodity composition of the stocks and the cost prices on which the inventory valuations rest. Moreover, the value of inventories on hand at the end of the year is often an inadequate measure of the stocks which were maintained throughout the period because the end-of-year stocks for many trades tend to reach a relatively low point at that time. In view of such limitations, comparisons based on these averages reveal at the most the extent to which the merchant's residual and immediate supply position conforms with others in his own sales-size bracket. Under normal supply demand conditions, however, such figures would probably provide on average a better indication of the more basic and minimum inventories which reporting retailers of that size feel were required at that time.

"Stock Turnover (times per year)" is the number of times that reporting stores disposed of their average inventories of merchandise in the year. For purposes of this report, it has been calculated by dividing the average of the total beginning and ending inventories at cost values into the "Cost of Goods Sold". The latter item itself is a computed one, being determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at the year-end. Merchandise purchases here consists of the invoice value of all goods bought for resale during the year, less returns, allowances and cash and trade discounts, but including duty, inward freight, and express and truckage charges. Obviously the individual merchant must calculate his own stock turnover in the same way before valid comparisons can be made with similar stores. So computed, both stock turnover figures probably overstate the actual number of times the average inventory was disposed of since the beginning and ending inventory figures each reflect year-end valuations when stocks are frequently at their lowest. This does not impair the value of conclusions based on comparisons because the turnover figures for the individual store and sample group of stores are similarly affected.

Having computed his stock turnover in the above manner, the retailer may find the figure for his store somewhat lower than the average for the comparable group of retail establishments. The immediate explanation for this variation of course is that the merchant seemingly used a larger average inventory to obtain his sales volume than the sample of similarly-sized stores used to obtain theirs. The merchant's larger average inventory, in turn, may result from one of three situations, namely, that his opening inventory was higher than the beginning per store inventory for the group, that his ending inventory was larger than the ending per store inventory for the group, or that both his beginning and ending inventories were larger than that of the sample group of stores.

The first of these, that the retailer's opening inventory was out of line

with the average for the group, may be determined by calculating the average per store beginning inventory for his class of store and then making a direct comparison. The merchant's larger beginning inventory may have been caused by the arrival of a comparatively large shipment of merchandise just before the year opened, or to other conditions applying more particularly to operations in the preceding year. The fact, however, that his end-of-year stocks were more closely in line with the average for his group not only indicates a liquidation of part of his inventories, but also suggests that the merchant enjoyed a higher rate of stock turnover during the latter part of the year than that of his class.

The second possibility, that his ending inventory exceeded the average for his group while his beginning stocks were more closely in line, could have been caused by several factors. Thus receipts of merchandise just before his financial year ended may have been sufficiently heavy to produce the comparatively larger inventory position. This would clearly reduce his calculated rate of stock turnover but it would not necessarily mean that his real turnover was lower than the average for his class. Another explanation is that the merchant experienced a lower volume of sales in the closing months of the year than he had expected, while his purchases of merchandise continued unchecked. Such a condition might be a matter of considerable concern, first because of the possibility of continued curtailments in sales and second, because the merchant would be facing a new financial year with a relatively heavy and perhaps unbalanced inventory position.

The third possibility, that the retailer's beginning and ending inventories were both higher than the average beginning and ending per store inventories for the group, from the merchant's viewpoint is probably most significant of all. Some retailers, of course, may end their fiscal years at times when due to seasonal factors their stocks are naturally quite high. In such instances an unreal comparison could result because most of the reporting stores terminated their accounting years at the end of December, January, or February when their stocks were comparatively low. In all other cases, however, such a state of affairs indicates quite definitely that the retailer is using a larger inventory to produce his sales than those used on the average by other stores in his class. For some stores, the size of the floor area or the use of mass displays of merchandise may require heavy but balanced stocks of goods; for others, the comparatively large inventories may result from the policy of purchasing in sizable quantities for quantity discounts, or for other reasons. Such inventories of course require the investment of additional capital in merchandise, but the retailers concerned may feel the risks to be justified in the light of the gains achieved. In other instances, however, the carrying of higher inventories may well suggest the presence in the inventory of unnecessarily large quantities of slow-moving goods which have accumulated over a considerable period. Here, the careful examination of the retailer's inventory position with a view to the clearance of the excessive stocks of particular items may be in order to minimize the possibilities of losses on eventual disposal, to make way for better stocks, and to release capital for more profitable investment in other ways.

"Gross Trading Profit", as has been pointed out earlier, is the difference between net sales of merchandise, including proprietor's withdrawals of goods and receipts from repairs and services, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtracting the inventory of merchandise left over at the end of the period. Merchandise purchases, of course, represents the total invoice cost of the goods less returns, allowances and cash and trade discounts, but includes both duties levied on imported commodities and inward transportation charges. "Cost of Goods Sold" is therefore the cost value of the merchandise which was sold or otherwise disposed of while "Gross Trading Profit" is the gross income fund remaining from store receipts after the merchandise costs have been deducted.

The "Gross Trading Profit", then, arises directly out of the retailer's activities in buying, selling and managing his inventories of merchandise. As such, it can be considered in two ways, that is, the total amount of gross trading profits realized during the period and also the percentage rate at which they are made. To retailers, both aspects are important. The actual amount of such profits is significant because it is from this profit fund that the operating expenses must be deducted before the retailer can properly claim the net earnings which determine his standard of living. The percentage rate is of interest because it is a measure of his success in obtaining a satisfactory overall spread between merchandise costs and sales, and indicates what could reasonably be expected in the future from a given volume of sales.

In the tables, the gross trading profit is shown only as a percentage of sales, thereby setting forth average standards of performance for each of the size and occupancy classes of co-operating stores. These percentages therefore represent the overall maintained mark up on sales which, on average, was obtained by the reporting stores. Such ratios can also be expressed as percentages of cost of goods sold merely by expressing the gross profit percentage as a fraction of the remaining cost of goods sold percentage and multiplying by 100. For instance, if the gross profit forms 25 per cent of sales, the cost of goods sold would form 75 per cent of sales, and the maintained mark up on cost for the store then would be 25 per cent over 75 per cent times 100 per cent, or 33-1/3 per cent on the cost of goods sold.

To compare his own rate of gross trading profit with the average obtained by the reporting stores in his own group the retailer should be sure his gross profits have been calculated in the above manner and then expressed as a percentage of his total net sales including his receipts from repairs and other services rendered. Having done this, the retailer may find his own gross profit percentage, for instance, somewhat lower than the average for the reporting stores in his sales and occupancy group. He can then analyze his own trading activities to uncover by process of elimination the possible reasons for his seeming less-than-average performance.

One or more of a number of factors, together or singly, could depress the merchant's percentage of gross trading profits. On the selling side of the picture it is possible, for instance, that an unusually large proportion of the retailer's sales could have been concentrated in the lower-profit lines of merchandise; in other words, that he was not selling enough of the higher profit items to 'average-up' his gross trading profits. Competition may possibly have required the retailer to sell at relatively low selling prices and thus at relatively small original mark ups over cost values during the period under study. In some cases, merchants may have had satisfactory original mark ups but later on have marked down sharply the retail prices of various items for sales promotional purposes; in others, heavy mark downs may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by style changes or by the possible appearance of better goods to replace various types of wartime articles, or to dispose of perishable commodities before total losses were sustained.

Factors relating to purchasing for resale likewise could have had a downward influence on the gross profit percentage. Miscalculations in estimating the demand for certain lines of merchandise, for instance, could have been the original reason for some of the clearance mark downs just described. Difficulties in purchasing goods at cost prices sufficiently low to enable satisfactory original mark ups to competitive selling values to be obtained is another factor. This experience, of course, is at least partly common to other retailers in the same kind of business. Failure to take the full benefit of cash discounts, also tends to reduce the gross trading profit percentage. Such discounts, although representing

a worth while addition to the income of the business, will usually not of themselves cause any considerable change in the gross profit percentage.

A number of other factors may also be influential in producing a lower-than-average rate of gross profit. An over-valued beginning inventory, for instance, will cause a larger figure to be shown for cost of goods sold and thereby will reduce gross trading profits. An ending inventory that is under-valued, or one which has been written down in value due to lower cost prices or to depreciation in the quality of the merchandise, will also lead to the same result. Stock shortages, too, will have a similar effect. Here the retailer should perhaps compare his gross profit percentage with those for previous years to see whether a sudden or more gradual drop has been experienced. Merchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not been included in sales at full retail values. In cases where cash receipts are considered as sales the withdrawal of cash by the proprietor without including it in his total receipts, or the transacting of an unusually large proportion of business on a credit basis near the end of the financial year, again will reduce the gross trading profit and its percentage for the year under review.

"Employees' Salaries and Wages", exclusive of all types of cash withdrawals by the individual retailer, may appear higher when expressed as a percentage of his total sales than the average obtained by reporting stores in his own size and occupancy group. Such a situation could mean that the merchant's employees are not as productive of sales volume in proportion to their salaries and wages as those of similar stores. This might result from the fact that the retailer is paying them at higher rates of pay than other merchants in his class. Alternatively, the retailer could be using more full-time and fewer part-time workers than the comparable outlets, or is relying more on male employees than was true of the group of similar reporting stores.

The types of services provided by the retailer to his customers might also be an explanation. Some of these extended on a non-charge basis, such as free delivery, the provision of credit, the making of adjustments and alterations, etc., could have increased the routine work of the store sufficiently to require additional help. Certain other services performed on a charge basis, such as repairs, etc., could also increase staff requirements, even though profitable revenues were obtained.

Certain peculiarities in the retailer's business may also account for the higher-than-average percentage for salaries and wages. If the merchant is conducting a mixed business or, in other words, is operating another business besides his retail store, he may have allocated too high a proportion of his salaries and wages to his store. On the other hand, the proprietor may be giving more of his attention to the other activity, relying to a greater extent on paid help to operate his store.

In some instances the merchant's higher payroll percentage may reflect peculiarities of some of the stores included in the different sample groups of stores. Probably the most important of these is the likelihood that some of the reporting stores may have been relying in part at least on family members for store help. Some of these individuals may not receive any regular wages and others may be paid at less than going rates of pay for their services. The inclusion of these stores in the sample therefore would result in a somewhat lower salary and wage percentage than otherwise would have been shown. In general, however, these peculiarities to the extent that they do exist will probably be most pronounced in the smaller size-of-business groups of stores.

"Rent", when expressed as a percentage of the retailer's total sales may also appear higher than the average for comparable stores. Some allowance, though, should be made for such differences, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the various sizes of locality, including the larger cities in which dollar rents often tend to be somewhat higher than in the smaller places. In the tables, however, these higher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been paid to this fact, it may be true that the merchant's rental percentage is still above the average for his group,- in other words that he is not obtaining as large a sales volume per dollar of rent expense as the comparable stores obtained. Several factors, of course, can account for his less-than-average performance. Among these is the possibility that especially severe competition or lack of aggressive promotion may be keeping the retailer's sales volume down; that he has been in business for a relatively short time and has not yet built up his sales volume to the potential his location offers; or that the merchant is situated in a city with particularly high commercial rentals. In other cases, the merchant may be renting more than the space required for his store and yet be charging the full rent to the store business. Here the comparison may not be as adverse as it seems when the proportionate amount of rent is charged against the store.

"Advertising", shown in the tables as average percentages of sales, is based on the sales of all stores in the several categories even though some stores may not have incurred any advertising expenses. This clearly would reduce the average advertising expense ratios below what would have been the average for the stores that advertised, and hence should be allowed for in making comparisons. As in other cases, a higher-than-average advertising expense ratio may be due to a number of possibilities requiring analysis by the merchant concerned. Thus he may have been trying to expand his sales volume through advertising and deliberately incurring high initial expenses for such publicity. Special clearance sales may have been held which required higher-than-average advertising expenditures, or perhaps he found it necessary to advertise heavily as a defensive measure against especially severe competition which may have featured his trading locality. There is also the further possibility that due to various reasons his advertising is not producing the extra business that it should.

"Depreciation", as percentages of total sales, measures the extent to which the owned fixed assets of the store -- including the value of new additions or replacements -- have decreased in value by wear and tear, by getting out of date, or simply by growing older This of course is a real expense of the business even though it does not immediately involve cash expenditures, for the business man should recover his capital either for investment in new assets or for other uses. The size of this expense obviously depends upon whether the store building is owned or rented, the original costs and types of the fixed assets which are owned, and the rate at which those assets are being written off.

Not all of the co-operating stores reported allowances for depreciation. In some instances, at least, this may have been due to the fact that the fixed assets had already been written off. Quite possibly, the wartime scarcities of equipment, materials and labour may often have prevented replacement or renovation of the fixed assets, thus depressing the depreciation expense percentages below what they would have been in normal times. In other instances where no depreciation was shown, a corrected figure was obtained for depreciation or alternatively an estimate was entered in the tabulations for this expense. In general where correspondence with reporting stores was undertaken the following rates were suggested

for consideration: on cost of building, a maximum of 5 per cent if of wood, and of 2-1/2 per cent if of brick or stone; on delivery equipment, 25 per cent of cost for the first year and 20 per cent thereafter; on fixtures, a maximum of 5 per cent; and on machinery, of 10 per cent per year.

In comparing his own depreciation expense percentage with those shown in the tables, the retailer should recognize that the averages are somewhat lower, frequently in the smaller size groups, than they would have been if only stores reporting depreciation allowances had been taken. If the merchant's depreciation ratio still appears high it is very likely due to certain factors peculiar to his own business. Thus his fixed assets may be more elaborate; their original cost may have been greater; some of them may have been purchased more recently; or the rates of depreciation used may have been higher. In any event the element of depreciation is there, and the rate of allowing for it can only vary on a sound basis between fairly narrow limits.

"Other Operating Expenses", comprise all legitimate expenses still remaining and include heat, light and power, store supplies, taxes other than income taxes, business insurance, losses on bad debts, repairs and maintenance, interest on borrowed money, etc., but do not include proprietor's salaries or withdrawals. As such it is unfortunately too mixed an expense category to permit a detailed analysis of the reasons for the difference btween the individual retailer's expense ratio and that of his group. Furthermore the merchant must make an allowance for a reasonable difference between the two expense percentages because of the varying experiences of stores reporting their "all other operating expenses". If his own percentage is still somewhat higher than the average, however, the retailer may well check through his residual expenses to determine the reasons for them and to assess the possibilities of effecting certain reductions in the future.

"Total Operating Expenses", when expressed as a percentage of the store's total sales, is of course merely the sum of the individual expense percentages previously discussed. The difference between the individual merchant's total expense ratio and that of his group is consequently the net result of the variations he finds between his own individual expense items and the averages for his comparable group of stores. These differences could quite possibly cancel each other out to leave the retailer's total expense ratio closely approaching the average for the category against which it is compared. Clearly, however, this does not mean that no opportunities exist for a curtailment in total operating expenses by a careful examination of the individual expenses which were incurred.

"Proprietor's Net Earnings Before Income Taxes and Withdrawals" is obviously the final result and financial objective of the retailer's merchandising activities. In percentage form it is the measure of the merchant's success in keeping his gross trading profit and his total operating expenses sufficiently far apart to yield a positive percentage of net earnings which is, of course, exclusive of non-trading incomes such as return on investments, rentals received and so forth. If, then, the retailer's percentage of net earnings is less-than-average, it must be due to either one - or both - of two factors: i.e., a lower-than-average gross trading profit percentage, or a higher-than-average total operating expense ratio, the possible causes of which have already been commented upon.

"Average Proprietor's Net Earnings Per Store", as already explained, consists of the total reported net earnings divided by the number of co-operating stores. Expressed as a percentage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the remuneration usually thought of as the proprietor's real salary for

managing the business, the other consisting of the net trading profits which are in turn made up of a legitimate reward for exceptional merchandising abilities and a return on capital invested - and risked - in the enterprise. Allowances must therefore be made in the dollar figures shown in this item for the proprietor's managerial services before the real profitability of the individual store or the comparable group of stores can be appraised.

Discussion in this section, it will be noted, has dealt with three phases of the problem of "How The Retailer Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. First has come an explanation of what each item is and how it is made up. Then it was assumed, for purposes of comparison only, that the retailer's results were inferior to the average for his comparable class of stores. This, in turn, was followed by a discussion of the possible operating factors which might have caused the poorer results. Many of these factors, however, would have resulted in average or better-than-average performances being obtained if their direction had been reversed. For this reason, therefore, no attempt was made to analyze the reasons for higher-than-average operating results.

Finally, it will be observed that no recommendations were made for the correction of adverse conditions. Frequently such conditions, such as particularly severe competition, are in fact hard realities which must be faced. Here, as in other cases, analysis based on facts and imagination must be relied upon to solve many of the individual problems of retail managements.

PART II - AUTOMOBILE DEALERS

According to the Census of Merchandising, there were 1,962 automobile dealers and 212 distributors with wholesale car departments engaged in handling new motor vehicles in 1941. The total sales of these establishments which consisted of new and used vehicles, parts and accessories and service receipts amounted to $238,013,600 for the former and $102,029,100 for the latter type of firms for an aggregate volume of $340,042,700 in that year. Such concerns provided livelihoods for 1,925 proprietors or partners, full-time work for 20,306 employees to whom $29,017,200 was distributed in salaries and wages, and part-time employment to 1,755 individuals who received $853,500 in salaries and wages for a total payroll of $29,870,700 in 1941.

Any statement on the operating experiences of this important division of retail distribution obviously must recognize the drastic changes which followed the discontinuance early in 1942 of new motor vehicle production. Previously, the automobile retailers had been geared to a high level of activity. In 1940, for example, their sales of new cars, trucks and busses numbered 130,552 units for a retail value of $148,845,278. In 1941, they sold 118,073 new units at an aggregate value of $151,868,905 which constituted 45 per cent or slightly less than half of their total gross sales of $340,042,700. In 1943, only 4,798 new units were retailed at $7,557,400, a valuation approximately 95 per cent below the $151,868,905 realized in 1941. In 1944, there were 11,677 new vehicles released by the Motor Vehicle Controller of the Department of Munitions and Supply for civilian use of which 9,514 units were commercial and 2,163 were passenger models, but no figures on the total retail value of these are available.

Concurrent with this heavy contraction, the financing of used vehicles by firms which specialize in this activity and which of course takes no account of sales made on a cash basis dropped from 141,387 units in 1941 to 30,599 vehicles in 1944 for an overall decline of 78 per cent. Rates of gross profit realized on such transactions, however, were likely somewhat higher in the more recent years, for a considerable proportion of the 1941 sales were from trade-in stocks. In this regard, the Bureau's report on Motor Vehicle Retailing in Canada, 1937, showed a gross trading loss of 4.8 per cent of sales in that period.

Under the impact of these conditions, a number of the smaller new vehicle retailers probably discontinued operation. The majority of the firms, however, carried on at reduced levels by selling used cars when available and by maintaining and expanding their parts and accessories and repair departments. Some of the firms, indeed, may have developed their repair and servicing activities to the proportions of machine shop operations. The contributions of these servicing activities to the economy are well illustrated by the Bureau's estimates of passenger cars withdrawn from use. These totalled 166,054 in the three-year period 1939-1941 against a figure of 110,962 for the three years of 1942 to 1944 inclusive. During 1943 and 1944 such withdrawals reached the exceptionally low levels of 23,143 and 16,319 units while the nine-year high of 71,500 withdrawals in 1942 reflected in part at least the displacements caused by heavy sales in the preceding years.

Summary of operating results, 1941 and 1944

The effects of these developments upon the operating results of automobile retailers are shown in the statistics presented in Table 1 and are commented upon later in the text. The more outstanding changes in operating results between 1941 and 1944, however, may be summarized as follows:

(1) Total sales obtained in 1944 by reporting establishments in owned and rented premises averaged 54 per cent below the dollar volumes which these same firms obtained in 1941. The greatest decreases were experienced by the largest firms, the 1944 sales of owned and rented establishments with sales of $50,000 and over being 53 and 61 per cent below the levels for the earlier year. Even these contractions, moreover, do not reflect the decreases for the trade as a whole because the continuing firms undoubtedly secured a certain amount of the business formerly transacted by the establishments which had discontinued operations.

(2) Gross profit percentages were generally higher in 1944 than in 1941. As an example, the gross margins for owned and rented establishments with 1941 sales of $50,000 and over increased from 18.1 and 15.2 per cent of sales in the earlier to 29.4 and 29.0 per cent in the later period. This was due mainly to the markedly higher proportions of total receipts from services which, consisting mainly of labour charges, contributed only small amounts to the offsetting item for cost of goods sold.

(3) Total operating expenses as percentages of total sales also averaged considerably higher in 1944 than in 1941, the ratios of owned and rented firms with sales of $50,000 and over rising from 13.7 and 12.0 per cent in the earlier to 21.7 and 21.5 per cent in the later period. Higher payroll ratios contributed heavily to these increases, but rent, depreciation and all other expenses formed larger percentages of the reduced sales volume in 1944 than of the much larger turnovers of 1941.

(4) The average rates of net earnings before income taxes and proprietors' withdrawals followed the upward movement recorded by gross profits forming higher percentages of sales in 1944. As an illustration, the ratios for owned and rented establishments with sales of $50,000 and over rose from 4.4 and 3.2 per cent in 1941 to 7.7 and 7.5 per cent in 1944.

(5) The expansions in the net earnings ratios, however, were not sufficient to offset the sharp declines in total sales. Average net earnings per establishment in consequence were lower in the more recent period, the net earnings of owned and rented establishments with sales of $50,000 and over receding from $6,166 and $6,516 per outlet in 1941 to $4,996 and $5,843 in 1944.

Description of business activities, 1941

Before proceeding to analyze in detail the operating results of the reporting automobile retailers, a description of their merchandising activities may be in order. This is presented in the following table which reveals the percentages which the sales of the different commodities and receipts from services formed of the total dollar volumes of the firms which reported an analysis of their sales in the 1941 Census of Merchandising. The averages are national in scope and rest upon the returns of both unincorporated and incorporated businesses.

Percentage Distribution of Sales by Commodity Classes, Canada, 1941

Commodities Sold	Retail Dealers Only	Distributors with Wholesale Car Departments
	%	%
TOTAL, All Commodities Sold	100.0	100.0
New passenger cars	31.7	31.1
New commercial vehicles	11.4	6.5
Used vehicles	29.8	26.6
Wholesale car department sales	-	17.0
Tractor (farm and other)	0.8	0.2
Parts and accessories	8.9	8.3
Tires and tubes	1.6	1.1
Storage batteries	0.5	0.3
Gasoline, lubricating oils and greases	7.6	2.7
Miscellaneous merchandise	1.2	0.8
Receipts from repairs and services	6.5	5.4

Operating Results of Identical Establishments in 1941 and 1944 Compared

For other retail trades the practice has been to present first the operating results obtained in 1944 followed where possible by the averages for the smaller numbers of firms which submitted figures for both 1941 and 1944. The interest of automobile retailers in such figures, however, is naturally directed back to their experiences in the more normal year of 1941 as a possible indicator of their operations in 1946. The present report recognizes this interest by first presenting the comparative statistics of identical firms for 1941 and 1944 in Table 1, and then the results of a somewhat larger sample of establishments for 1944 only in Table 2.

Turning to the recent survey, a total of 315 unincorporated concerns submitted usable returns on their operations in 1944. Of these, 223 also provided similar information for 1941. The latter group was classified into three sizes of business: (a) firms with sales of less than $20,000, (b) between $20,000 and $50,000, and (c) those with dollar volumes of $50,000 and over. This was done entirely on the basis of sales made in 1941 and therefore quite independently of sales in 1944. These categories were then subdivided between establishments in owned and in rented premises to form six sales and occupancy groupings of reports. Only 4 returns, however, were available to represent rented outlets with sales of less than $20,000 and figures were consequently compiled for only the remaining five classes of automobile retailers.

Sales [illegible] 1941 averaged 54 per cent

A glance at the total sales figures indicates that dollar volumes in all but one of the five groupings were markedly lower in 1944 than in the earlier period. Firms in owned premises with sales of less than $20,000 were the only ones to better their 1941 volumes, the 1944 sales for the group averaging 21 per cent higher than in the previous period. The increase for these small firms was partly due to an expansion in their service receipts which tend to form somewhat larger percentages of total sales than is true of the larger establishments. Being comparatively small, moreover, these outlets were able to replace their relatively low sales of new vehicles with considerably greater quantities of used ones or indeed with other merchandise. Substantial declines, on the other hand, were experienced in the two larger sizes of

business. For owned and rented establishments with sales between $20,000 and $50,000, the declines from 1941 levels amounted to 14 and 19 per cent. In the largest size of business, consisting of owned and rented outlets with average 1941 sales of $138,647 and $200,381 per firm, the declines were much more severe, representing contractions of 53 and 61 per cent from previous levels.

The cessation of new motor vehicle production, of course, emphasized the need for conserving the cars and trucks already in use, and thereby increased the relative importance of the repair and parts and accessories departments of the automobile dealers. Designed primarily for acquiring information necessary for national income estimation, the schedule did not require the total receipts of the reporting establishments to be broken down in detail. The form, however, did permit an analysis of such revenues as between sales of merchandise and receipts from repairs and services to be made, and the trends in these between 1941 and 1944 are shown in the following table. The sample, it will be observed, is quite small for owned establishments with 1941 sales of less than $20,000 and the averages for these may not be typical of other retailers with similar dollar volumes in 1941.

Motor Vehicle Retailers
Analysis of Total Sales by Size of Business, 1941 and 1944

Occupancy Class	Size of Business					
	Under $20,000		$20,000-$49,999		$50,000 and Over	
	1941	1944	1941	1944	1941	1944
Owned Establishments						
Number reporting	12	12	50	50	52	52
Number analyzing sales	6	6	41	41	40	40
Per cent sales of merchandise	77.7	74.2	87.9	84.1	90.7	79.9
Per cent receipts from services	22.3	25.8	12.1	15.9	9.3	20.1
Average sales per outlet ...	$14,184	$18,459	$32,740	$27,157	$150,149	$69,171
Average service receipts per outlet	$ 3,163	$ 4,762	$ 3,962	$ 4,318	$ 13,964	$13,903
Rented Establishments						
Number reporting			26	26	79	79
Number analyzing sales	Sample	Sample	18	18	60	60
Per cent sales of merchandise			82.8	76.8	91.0	78.6
Per cent receipts from services	Too	Too	17.2	23.2	9.0	21.4
Average sales per outlet ...	Small	Small	$36,088	$30,109	$190,568	$77,100
Average service receipts per outlet			$ 6,207	$ 6,985	$ 17,151	$16,499

Receipts from repairs and other services were consistently higher as percentages of total sales in 1944 than in 1941, the five averages ranging between 9.0 and 22.3 per cent in the earlier and between 15.9 and 25.8 per cent in the later year. Reflecting the major declines in sales volumes, the sharpest increases in the proportions of service receipts were recorded by establishments with 1941 sales of $50,000 and over. Firms of this size in owned premises obtained 9.3 per cent of their total receipts from repairs and services in 1941 against 20.1 per cent in 1944 while the corresponding ratios for outlets in rented premises stood at 9.0 and 21.4 per cent. By size of business, the smaller concerns depended more upon their repair departments in 1944 than the larger ones did, the ratios of service to total receipts declining steadily as the establishments became larger.

Actual service receipts per establishment in the intermediate and largest sales sizes surprisingly enough remained comparatively stable in both periods. This suggests that either the repair departments were operating at near capacity levels in 1941, or that through labour shortages they were unable to expand those repair volumes appreciably in 1944. Both factors, indeed, may have been present within these samples. Although not necessarily indicative of general experiences because of the limited sample, the repair departments of the 6 owned establishments with sales of less than $20,000, however, were able to better the performance of the larger outlets by obtaining on average considerably larger receipts per establishment in the later period.

The above averages, of course, are more significant as indicators of trend than as accurate measures of the contributions of repair departments to the sales volumes of motor vehicle retailers. In this regard, the service receipts of all firms included in the preceding table averaged 9.6 per cent of sales in 1941 against the overall ratios of 6.5 and 5.4 per cent for the much larger number of automobile dealers and distributors which reported for the same year in the Merchandising Census. The comparison is a fairly close one - and might have been even closer if more of the larger firms had been included in the sample - but the gap nevertheless suggests that these figures should be regarded primarily as indicators of trend.

Ending inventories generally much lower in 1944

Inventory positions of course were much lower at the end of 1944 than at the close of 1941. In the $20,000 to $50,000 sales size, the total ending stocks reported for 1944 by the 50 firms in owned premises were about 18 per cent below the corresponding valuations for 1941, while the decline for the 26 rented establishments amounted to 46 per cent. Reflecting the probability that new motor vehicles bulked more heavily in the stocks of the largest firms, their inventories recorded even greater declines which averaged 51 per cent for the 52 concerns in owned, and 63 per cent for the 79 establishments in rented premises. Such contractions, it will be recalled, paralleled closely their declines in sales which amounted to 53 per cent and 61 per cent respectively. The 12 establishments in owned premises in the smallest size class reversed these trends, their stocks and sales being 11 and 21 per cent greater than the corresponding figures for 1941.

Average inventories per establishment varied for the five sales and occupancy groupings between $1,875 and $24,948 at the end of 1941. The firms with sales of $50,000 and over naturally reported the largest inventories, owned establishments with average sales of $138,[illegible]47 having inventories of $17,091 per unit while the rented outlets with the much higher average sales figure of $200,381 had ending inventories amounting to $24,948 per establishment. The merchandise inventories of the reporting retailers averaged much lower at the end of 1944, the five figures ranging between $2,076 and $9,303 per establishment.

Stock turnover ratios irregular in trend

The stock turnover ratios were calculated by dividing cost of goods sold, i.e., cost of sales, by the average cost values of beginning and ending inventories. Both cost of goods sold and the inventory valuations were to include the labour costs involved in reconditioning used cars for sale. The resulting averages therefore represented the number of times such inventories of merchandise and incorporated labour costs were turned over in the year and were independent of the receipts or the labour costs which arose from the provision of repair services.

So defined, the stock turnover averages for the five sales and occupancy groupings of firms varied between 5.6 and 7.5 times in 1941 and between 5.7 and 7.4 times in 1944. These outside figures, however, conceal the irregularities in trend which are apparent between the two years when the ratios are examined in detail. In two of the categories, that of owned establishments with volumes of less than $20,000 and those with sales between $20,000 and $50,000, the ratios were only slightly higher in 1944 than in 1941. For rented outlets with sales ranging between $20,000 and $50,000 the average rose from 6.3 times in the earlier to 7.4 times in the later period. In the largest size of business the turnover rates were sharply lower in 1944, the ratio for owned establishments receding from 6.7 to 5.7 times and for rented ones from 7.5 to 6.0 times. During 1941 these firms were turning over their inventories of motor vehicles at sufficiently fast rates to raise the overall average above the slower turnovers recorded in their parts and accessories departments. In 1944, they derived practically no revenues from the sale of new cars and trucks and hence the lower stock turns of their parts and accessories departments effectively reduced the averages realized on their entire operations.

In 1941, as the more normal operating period, the largest retailers had the highest rates of stock turn. These averaged 6.7 times for the owned and 7.5 times for the rented establishments which compares with ratios of 5.6 and 6.3 times recorded by those with sales between $20,000 and $50,000. The figure of 5.6 times, however, was exceeded by owned establishments with sales of less than $20,000, the average for which stood at 6.0 times in 1941. This ranking was reversed in the later period when the largest firms turned over their average inventories at somewhat slower rates than the smaller establishments.

Gross profit percentages averaged higher in 1944

Gross trading profits, or the difference between total sales and cost of sales, were generally higher as percentages of total receipts in 1944. Overall the ratios for the five groupings of establishments ranged between 15.2 and 25.7 per cent in the earlier and between 20.6 and 30.2 per cent in the later period. No change was recorded by the 12 outlets in owned premises with sales of less than $20,000, their gross profits averaging 25.7 per cent in both years, service receipts forming only a moderately higher percentage of total sales in the more recent period.

Of the two larger sizes of business, the owned and rented establishments with sales of $50,000 and over registered the sharpest gains in the average rates of gross trading profits between 1941 and 1944. This was due largely to the much higher proportions which receipts from repairs and other services formed of their total sales volumes in the later period. These receipts consist principally of labour charges, the wages for which were included in salaries and wages and hence had virtually no counterpart in the cost of goods sold. The

changes in rates of gross profit and in the percentages of service receipts between the two years are summarized below.

Gross Profit and Service Receipt Percentages, 1941 and 1944

Sales and Occupancy Class	Gross Profits (Per cent of sales)		Service Receipts (Per cent of sales)	
	1941	1944	1941	1944
Between $20,000 and $49,999				
Owned Establishments	19.0	20.6	12.1	15.9
Rented Establishments	21.8	30.2	17.2	23.2
$50,000 and Over				
Owned Establishments	18.1	29.4	9.3	20.1
Rented Establishments	15.2	29.0	9.0	21.4

By size of business the largest concerns had the lowest rates of gross trading profits in 1941, the averages for firms in owned premises declining from 25.7 per cent of sales in the smallest sales size to 19.0 per cent in the intermediate and to 18.1 per cent in the largest size categories. The movement is similar for rented establishments, for those with sales between $20,000 and $50,000 recorded an average of 21.8 per cent against a lower figure of 15.2 per cent for outlets with volumes of $50,000 and over. In 1944 the trends were more irregular, the ratios for owned establishments declining from 25.7 per cent in the smallest to 20.6 per cent in the intermediate and then rising to 29.4 per cent for the largest retailers of motor vehicles. This was paralleled by a similar progression in the percentages of service to total receipts which dropped from 25.8 per cent in the smallest to 15.9 per cent in the intermediate and expanded to 20.1 per cent of total receipts in the largest sales size. For rented establishments, average gross profits receded from 30.2 per cent in the $20,000 to $50,000 size to 29.0 per cent in the $50,000 and over sales category while the ratio of service to total receipts fell from 23.2 to 21.4 per cent of aggregate sales volumes.

Payroll ratios averaged higher in 1944 than in 1941

Unallocated salaries and wages paid to employees, i.e., wages not charged directly to the reconditioning of used cars and included in the final costs of such vehicles, were higher as percentages of total sales in 1944. Overall the five payroll averages varied between 5.9 and 7.5 per cent in 1941 and between 7.1 and 11.5 per cent in 1944. The major increases were recorded by rented establishments with sales between $20,000 and $50,000 and by both owned and rented outlets with sales of $50,000 and over where the ratios rose from 7.5 to 11.3 and from 7.1 to 11.4 and from 5.9 to 11.5 per cent, respectively. It was in these same groupings, moreover, that the proportions of service to total receipts also showed the greatest increases between the years in question.

Actual expenditures for undistributed salaries and wages per establishment were lower in three of the five groupings of outlets in 1944. These consisted of firms in owned premises with sales between $20,000 and $50,000 and of firms in owned and rented premises with sales of $50,000 and over, the averages for which dropped from $2,347 to $2,174, from $9,844 to $7,362, and from $11,823 to $8,917 per unit, respectively. Owned establishments with sales of less than $20,000 and rented ones with volumes between $20,000 and $50,000, on the other hand, reversed this trend, their average payrolls rising from $992 to $1,218 and from $2,720 to $3,193 between 1941 and 1944. Such gains follow naturally from the fact that service receipts and the labour costs involved therein were greater both relatively and absolutely for these two classes of firms in 1944, while owned establishments in the smallest size also added to the labour required by increasing their sales over the 1941 levels.

By size of business, the payroll ratios for the three classes of owned establishments in 1941 were stable at 7.0 to 7.1 per cent of sales, while those for rented ones dropped from 7.5 in the $20,000 to $50,000 to 5.9 per cent in the $50,000 and over groupings. In 1944 the trend was upward, the payroll ratios for automobile retailers in owned premises rising from 7.1 per cent in the smallest to 7.6 and 11.4 per cent in the two larger sales sizes and for those in rented premises from 11.3 to 11.5 per cent. This contrasting movement in the salary and wage ratios may have been due partly to differences in accounting methods and partly to economic changes. In 1941, it is possible that the smaller firms included in salaries and wages labour costs which the larger ones allocated to costs of sales. In 1944 there was probably less reconditioning of trade-ins and more regular repair work. These conditions tended to place the small and the large retailers on a more comparable basis because the larger firms would also charge the labour costs in their repair work to salaries and wages. Such developments would then permit the ratio for employees' salaries and wages to increase normally with expansions in size of business, a trend which results naturally from the fact that the proprietors of the larger establishments obviously account for smaller shares of the total work than is true of the smaller businesses.

Among the four remaining expense categories, rentals formed higher percentages of sales in 1944 than in 1941. For establishments in the $20,000 to $50,000 sales class the rentals ratio increased only slightly from 1.8 to 1.9 per cent but the average for those with dollar volumes of $50,000 and over doubled, being 0.7 per cent in 1941 and 1.4 per cent in 1944. This was due largely to the drop in sales, the relative decline being greatest for those having sales of $50,000 and over. Advertising expenses in percentage form were comparatively low in both years. For 1941, the five averages ranged between 0.1 and 0.3 per cent of sales and in 1944 between the wider limits of 0.1 and 0.7 per cent.

Depreciation allowances like rentals were higher as percentages of sales in 1944. During 1941 the five ratios varied from 0.3 to 1.5 per cent against an outside range of 0.7 and 1.9 per cent in the later period. In actual amounts these write-offs generally tend to remain relatively stable and therefore formed higher percentages of the reduced sales volumes which prevailed in 1944. Due possibly to special circumstances, the

depreciation ratio for the owned establishments with sales of less than $20,000 - the only classification to record an expansion in volume - moved up from 1.5 per cent in 1941 to 1.9 per cent in the later period. Reflecting their greater investments in buildings, the two groupings of owned establishments had higher averages for depreciation in both years than did their rented counterparts.

Other operating expenses were to include all operating costs other than those already mentioned. Such expenses as percentages of sales were higher in 1944 for the four categories of outlets which had receipts of $20,000 or over and which experienced the contractions in sales between the two years, the four averages ranging between 4.9 and 6.3 per cent in 1941 and between 5.5 and 8.3 per cent in 1944. These increases were probably due to the fact that these expenses included a number of fixed or semi-fixed costs which in ratio form varied inversely with changes in dollar volume. Owned businesses having sales of less than $20,000 and recording a sales increase of 21 per cent over 1941 was the only grouping to register a decline, the ratio dropping from 7.4 per cent of sales in the earlier to 6.0 per cent in the later period.

Total expense percentages generally higher in 1944

Total operating expenses for the most part formed higher percentages of sales in 1944 than in 1941. The group of retailers in owned premises with sales of less than $20,000 was the one exception to this generalization. Total operating expenses here declined from 16.1 to 15.4 per cent between the two years as a result of a sharp fall in the percentage for other operating expenses. Among the four remaining groupings, the averages ranged from 12.0 to 16.3 per cent in the earlier and from 14.2 to 22.1 per cent in the more recent year, with increases in most of the individual expense ratios contributing to the higher averages recorded in 1944.

The expansions in the rates of gross trading profit between the two years, however, was more than sufficient to offset the increases in the total expense ratios. Consequently, proprietors' net earnings before deducting income taxes and withdrawals averaged higher as percentages of sales in the more recent period. For the four groupings with sales of $20,000 or over, the net earnings percentages ranged between 3.2 and 6.0 per cent in 1941 and between 6.4 and 8.1 per cent in 1944. The gain for owned establishments with sales under $20,000 resulted from stability in the gross profit and a drop in the total expense ratios which caused net earnings to rise from 9.6 per cent in the earlier to 10.3 per cent in the later period.

While the increases in the net earnings percentages in the two larger sizes of business were highly favourable considering the prevailing difficulties, they were not generally sufficient to overcome the adverse effects of reduced sales volumes. As a consequence, average net earnings per establishment for owned outlets with sales between $20,000 and $50,000, and for firms in owned and rented premises with sales of $50,000 and over dropped from $1,981 to $1,827, from $6,166 to $4,996 and from $6,516 to $5,843, respectively, between 1941 and 1944. These represented relative declines of 8, 19 and 10 per cent and thus compare advantageously with corresponding decreases in sales which amounted to 14, 53 and 61 per cent from the earlier period. Reflecting a sub-

stantial gain in rates of net earnings, the actual returns for the rented outlets with sales between $20,000 and $50,000 moved up by 19 per cent from $1,933 per outlet in 1941 to $2,296 in 1944, a particularly favourable showing in the face of a 19 per cent contraction in sales. Owned establishments in the smallest size of business not only experienced an expansion in business but also bettered their average rate of net earnings and their dollar averages rose from $1,366 to $1,772 per firm for an increase of 30 per cent against a gain of 21 per cent in sales.

Trends by Size of Business, 1944

In addition to the 223 firms submitting information for both years there were another 92 which reported only for 1944. These 315 reports were classified for Table 2 into three sizes of business according to their sales in 1944 rather than according to their sales in 1941 on which Table 1 was based. With sales volumes generally lower in 1944 this has caused some of the reports included in the $20,000 to $50,000 and the $50,000 and over sales sizes for 1944 in Table 1 to be classified to the immediately smaller groupings in Table 2. Similarly, a number of the reports included in the less than $20,000 grouping in Table 1 were probably classified for Table 2 into the next larger size of business because of the sales increase which some of those firms recorded. For these reasons the averages appearing in Table 2 are probably the better ones against which to compare individual operating experiences for 1944.

Stock turnover ratios higher for bigger establishments

Turning to the operating results for 1944 presented in Table 2, the larger establishments turned their inventories at faster rates than did the smaller ones. Owned and rented outlets with sales of less than $20,000 therefore had the lowest stock turnover averages of 4.2 and 4.4 times from which the ratios moved upward to 5.7 and 6.4 times in the intermediate and to 6.7 and 7.3 times in the largest size of business. This is the customary trend among the different branches of retail trade and results directly from the fact that increases in sales size generally do not require proportionate expansions in inventories.

Inventories for the six sales and occupancy groupings ranged between $1,826 and $11,186 per establishment at the end of 1944, the averages increasing steadily for both owned and rented outlets as the businesses became larger. Inventory levels, as indicated by changes in total stocks, were generally higher at the end of 1944 than at the beginning, the increase for the six categories averaging about 7 per cent above opening valuations. Rented establishments with sales of less than $20,000, however, experienced an average decline of about 12 per cent from their opening levels but the increases in the other five varied between 4 and 21 per cent.

Gross profits averaged between 24.5 and 29.1 per cent

Average rates of gross trading profit for the six categories of firms were closely grouped for 1944 between outside limits of 24.5 and 29.1 per cent of annual receipts. The highest ratios amounting to 26.6

and 29.1 per cent were recorded by owned and rented establishments in the smallest size of business while the second highest of 25.7 and 28.6 per cent stood for owned and rented outlets in the largest size category.

Among the individual expense ratios, unallocated salaries and wages paid to employees in 1944 ranged between 8.0 and 11.4 per cent of total sales. By size of business, the averages followed the customary trend for unincorporated retail stores and moved upward from the smallest to the largest sales category. Thus, standing at 8.0 per cent for both owned and rented establishments in the less than $20,000 grouping, the ratios rose to 8.6 and 9.8, and to 10.8 and 11.4 per cent of sales in the two larger classifications.

Rental costs varied inversely with amount of business done, dropping from 3.6 per cent of sales in the smallest to 1.7 and 1.2 per cent in the two larger sales sizes. Advertising expenditures as percentages of sales ranged between the comparatively low averages of 0.2 and 0.5 per cent for the six sales and occupancy groupings with little to suggest either a direct or inverse variation in the ratios by size of business. Depreciation allowances were somewhat higher in ratio form, the six averages varying between outside limits of 0.8 and 1.9 per cent of sales in 1944. Being a relatively fixed expense, these averages generally tended to be smaller for the larger businesses. Owned establishments with their greater investments in fixed assets naturally had to make larger dollar allowances for obsolescence and wear and tear and their depreciation expense percentages therefore averaged higher than those of their rented counterparts.

Other operating expenses, the residual classification, varied narrowly for the six groupings between 6.6 and 8.0 per cent of total sales in 1944. The trends in these averages by size of business, however, were rather irregular. For rented establishments, the ratios moved upward from 6.6 per cent in the smallest to 6.9 and 7.3 per cent in the two larger sales sizes, while those for owned outlets receded from 8.0 per cent in the less than $20,000 to 6.9 per cent in the intermediate and then rose to 7.3 per cent in the largest sales size.

Total expenses averaged between 17.0 and 20.9 per cent of sales

Total operating expenses ranged for the six classes of establishments between 17.0 and 20.9 per cent of sales in the period under review. The larger concerns with but one exception had the higher total expense ratios. For rented establishments the trend was consistently upward from 19.2 per cent in the smallest to 20.0 and 20.9 per cent in the two larger sales sizes. For owned outlets, on the other hand, the average dropped from 18.1 per cent in the less than $20,000 to 17.0 per cent in the intermediate grouping but rose sharply to 19.7 per cent in the largest size of business.

Proprietors' net earnings as percentages of sales were generally lower for the larger automobile retailers reporting for 1944. The progression was consistently downward among the three sizes of owned establishments, the ratios declining from 8.5 per cent for those with annual receipts of less

than $20,000 to 7.5 and 6.0 per cent in the two larger groupings. An exception to this trend occurred in the series of ratios for outlets in rented premises where the average dropped sharply from 9.9 per cent in the smallest to 6.9 per cent in the intermediate size and then rose to the secondary high of 7.6 per cent for those firms with sales of $50,000 and over.

Average proprietors' net earnings per firm, on the other hand, increased consistently with expansions in size of business. For establishments in owned premises the dollar averages ranged upward from $1,262 per outlet in the less than $20,000 to $2,431 and $5,798 in the two larger sizes of business. A similar progression is apparent in the figures for rented outlets, the averages here rising from $1,214 in the smallest to $2,352 and $7,211 per firm in the following sales categories. The especially marked increase in average net earnings which occurred between the intermediate and the largest sizes of business is due of course to the sharp increases in average sales per outlet which jumped from $32,582 and $34,099 per owned and rented outlet in the $20,000 to $50,000 to $97,101 and $94,456 per firm in the $50,000 and over sales classification.

Table 1.--Automobile Dealers - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1 9 4 1		1 9 4 4	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	12		12	
2. Total Sales	$170,085		$205,798	
3. Average Sales Per Store	14,174		17,150	
Total Inventory Reported,		SAMPLE		SAMPLE
4. Beginning of Year	19,702		25,357	
5. End of Year	22,503	TOO	24,911	TOO
6. Average for Year	21,103		25,134	
Average Inventory Per Store,		SMALL		SMALL
7. End of Year	1,875		2,076	
8. Cost of Goods Sold	126,373		152,908	
9. Stock Turnover (times per year) ..	6.0		6.1	
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	25.7		25.7	
Operating Expenses:				
11. Employees' Salaries and Wages ..	7.0		7.1	
12. Rent	-	SAMPLE	-	SAMPLE
13. Advertising	0.2		0.4	
14. Depreciation	1.5	TOO	1.9	TOO
15. Other Operating Expenses	7.4		6.0	
		SMALL		SMALL
16. Total Operating Expenses	16.1		15.4	
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	9.6		10.3	
18. Average Proprietor's Net Earnings Per Store	$1,366		$1,772	

Table 1.--Automobile Dealers - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

AMOUNT OF ANNUAL SALES								
$20,000 to $49,999				$50,000 and Over				
1 9 4 1		1 9 4 4		1 9 4 1		1 9 4 4		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
50	26	50	26	52	79	52	79	1.
$1,653,034	$908,168	$1,430,517	$734,550	$7,209,664	$15,830,064	$3,358,227	$6,125,904	2.
33,061	34,930	28,610	28,252	138,647	200,381	64,581	77,543	3.
233,439	104,278	191,817	73,091	858,904	1,622,713	402,438	707,938	4.
245,288	119,799	200,983	64,789	888,738	1,970,918	431,661	734,934	5.
239,364	112,039	196,400	68,940	873,821	1,796,816	417,050	721,436	6.
4,906	4,608	4,020	2,492	17,091	24,948	8,301	9,303	7.
1,338,958	709,279	1,135,830	511,981	5,897,505	13,425,894	2,367,550	4,349,392	8.
5.6	6.3	5.8	7.4	6.7	7.5	5.7	6.0	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
19.0	21.8	20.6	30.2	18.1	15.2	29.4	29.0	10.
7.1	7.5	7.6	11.3	7.1	5.9	11.4	11.5	11.
-	1.8	-	1.9	-	0.7	-	1.4	12.
0.1	0.3	0.1	0.3	0.3	0.2	0.7	0.4	13.
0.8	0.4	1.0	0.7	0.7	0.3	1.3	0.8	14.
5.0	6.3	5.5	7.9	5.6	4.9	8.3	7.4	15.
13.0	16.3	14.2	22.1	13.7	12.0	21.7	21.5	16.
6.0	5.5	6.4	8.1	4.4	3.2	7.7	7.5	17.
$1,981	$1,933	$1,827	$2,296	$6,166	$6,516	$4,996	$5,843	18.

Table 2.--Automobile Dealers - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES	
	Less than $20,000	
	Owned	Rented
	GENERAL INFORMATION	
1. Number of Stores Reporting	36	24
2. Total Sales	$533,852	$292,813
3. Average Sales Per Store	14,829	12,201
Total Inventory Reported,		
4. Beginning of Year	83,597	49,520
5. End of Year	100,895	43,815
6. Average for Year	92,246	46,668
Average Inventory Per Store,		
7. End of Year	2,803	1,826
8. Cost of Goods Sold	391,847	207,604
9. Stock Turnover (times per year) ..	4.2	4.4
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)	
10. Gross Trading Profit	26.6	29.1
Operating Expenses:		
11. Employees' Salaries and Wages ..	8.0	8.0
12. Rent	-	3.6
13. Advertising	0.2	0.2
14. Depreciation	1.9	0.8
15. Other Operating Expenses	8.0	6.6
16. Total Operating Expenses	18.1	19.2
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	8.5	9.9
18. Average Proprietor's Net Earnings Per Store	$1,262	$1,214

Table 2.--Automobile Dealers - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

AMOUNT OF ANNUAL SALES				
$20,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	
GENERAL INFORMATION				
87	58	45	65	1.
$2,834,636	$1,977,734	$4,369,526	$6,139,618	2.
32,582	34,099	97,101	94,456	3.
364,665	214,120	470,463	589,372	4.
391,921	240,055	503,374	614,795	5.
378,293	227,088	486,919	602,084	6.
4,505	4,139	11,186	9,458	7.
2,140,150	1,445,724	3,246,558	4,383,687	8.
5.7	6.4	6.7	7.3	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
24.5	26.9	25.7	28.6	10.
8.6	9.8	10.8	11.4	11.
-	1.7	-	1.2	12.
0.2	0.4	0.5	0.3	13.
1.3	1.1	1.1	0.8	14.
6.9	6.9	7.3	7.3	15.
17.0	20.0	19.7	20.9	16.
7.5	6.9	6.0	7.6	17.
$2,431	$2,352	$5,798	$7,211	18.

PART III - FILLING STATIONS

Trends by Size of Business, 1944

Filling stations are engaged principally in selling gasoline and oil, parts and accessories and tires and tubes. They also derive a certain proportion of their revenues from repairs and services but such receipts by definition must not form more than 25 per cent of their total sales. As an additional qualification, gasoline and oil must account for at least 75 per cent of the total merchandise sales.

Gasoline, therefore, is the major revenue producer for filling stations, its sales in fact amounting to 78 per cent of the total receipts of the filling stations which analyzed their sales by classes of commodities in the 1941 Merchandising Census. Lubricating oils and greases came next but formed only 6 per cent of the total trade. Receipts from repairs and services ranked third with 4 per cent of the total revenues. The remaining 12 per cent of the 1941 sales of these filling stations was made up of tires and tubes and of parts and accessories each at 3 per cent, of new and used motor vehicles together amounting to the minor figure of 1 per cent, of meals and lunches at 1 per cent, and of all other merchandise at 4 per cent of the total sales so analyzed. These percentages, of course, are national averages and hence the commodity sales distributions experienced by many establishments probably differed somewhat from the percentages shown above.

In the recent survey a total of 241 independent and unincorporated filling stations sent in usable reports on their operating results for 1944. These reports were sorted into five categories for stations with sales of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000 and for those with dollar volumes of $50,000 and over. The five resulting groupings were then broken down between establishments in owned and in rented premises to form ten sales and occupancy classes of outlets. Statistics are presented in Table 1 for only nine of the ten groupings, the sample for owned stations with sales of $50,000 and over being too small to justify the publication of averages.

Average inventory turnover faster for larger stations

Average rates of inventory turnover for the nine classes of stations varied between a low of 11.4 and a high of 43.9 times in 1944. By size of business the filling stations with the larger sales volumes consistently had the higher rates of inventory turnover. In this regard the averages for the four groupings of owned stations ranged upward from 15.6 times in the smallest to 29.0 in the $30,000 to $50,000 size while those for the five groupings of rented outlets varied from 11.4 in the smallest to 43.9 times for those with sales of $50,000 and over. Such an upward trend, of course, resulted from the fact that average sales per station increased from the smaller to the larger sizes of business at much faster rates than did the average of the beginning and ending inventories per outlet.

Ending inventories per station remained comparatively small in all sales and occupancy groupings of outlets. There was, however, a con-

sistent increase by size of business, the valuation for the year-end stocks of owned stations ranging from $333 per outlet in the smallest to $1,328 in the $30,000 to $50,000 sales size and for rented establishments from $460 in the less than $10,000 to $1,415 per station for those with sales of $50,000 and over. Total inventories reported were valued somewhat higher at the end than at the beginning of 1944 operations, the overall gain over beginning figures for the four sizes of owned stations amounting to about 15 per cent and for the five groupings of rented outlets to about 8 per cent.

Gross profits averaged between 15.0 and 20.1 per cent of sales

Gross trading profits for the nine sales and occupancy groupings of stations varied between the narrow outside limits of 15.0 and 20.1 per cent of sales in 1944. By size of business there was a definite trend for the larger sizes of rented filling stations to have lower rates of gross profit than the smaller ones, the averages dropping from 20.1 per cent for stations with sales of less than $10,000 to 17.3, 17.1, 16.5 and 16.1 per cent in the larger sizes of business. For outlets in owned premises, however, the trend was not so conclusive, the averages rising from 15.0 per cent in the smallest to 17.5 in the $10,000 to $20,000 sales size, receding to 15.0 per cent in the next and then increasing to 16.0 per cent for stations with sales between $30,000 and $50,000 in the year under review.

Among the individual operating expenses, the nine averages for employees' salaries and wages ranged between a low of 0.6 and a high of 5.8 per cent of sales. When compared by size of business, the larger stations usually had the higher rates of payroll expense. In the five sales groupings of rented stations a consistent upward movement was apparent, the salary and wage ratios rising from 1.0 per cent in the smallest to 2.3, 3.6, 4.1 and 4.4 per cent in the four larger sizes of establishments. A similar trend with but one exception appeared among the four classifications of owned stations where the payroll averages increased from 0.6 in the smallest to 2.1 per cent in the $10,000 to $20,000 sales grouping, receded to 1.7 per cent in the next and then rose to 5.8 per cent for filling stations with sales between $30,000 and $50,000. Such a progression is a natural one for unincorporated stations because the proprietors of the bigger establishments are personally unable to account for as large a share of the work as the proprietors of the smaller ones and hence have to rely on larger numbers of paid employees.

Rent, unlike salaries and wages, is clearly a fixed dollar expense once the lease has been negotiated. This presents the retailer with the opportunity to reduce the weight of this fixed expense by spreading his rental charges over increased volumes of business. It is, therefore, not surprising to find that the rental expense ratios were generally lower for the larger sizes of filling stations, the averages receding from 2.9 per cent in the less than $10,000 grouping to 2.6 and 1.9 per cent in the two immediately larger sizes of business from which they increased slightly to 2.0 and 2.2 per cent of sales in the two largest sizes of business.

Advertising expenses as percentages of sales were comparatively small in all of the nine sales and occupancy classifications. Indeed in six

of the groupings the ratios amounted to only 0.1 per cent of sales while in two others they stood at 0.2 and in one at 0.4 per cent of total dollar volumes.

Depreciation allowances averaged somewhat higher ranging between 0.3 and 1.0 per cent of sales in 1944. By size of business, however, the ratios showed little evidence of varying either directly or inversely with amount of business done. In comparison with their rented counterparts the five classes of owned stations all had the higher rates of depreciation, a reflection of the larger amounts of capital their owners had invested in them.

Other operating expenses, a residual expense category, grouped together such operating costs as heat, light, power and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, operating supplies, communications and sundry expenses. Some of these were common to all filling stations and hence were included quite consistently in the figures reported. Others, depending on individual circumstances, may not have been so uniformly experienced and reported. In spite of this circumstance, however, the ratios for other operating expenses were generally lower for the larger sizes of stations. Among the owned ones, the averages increased slightly from 4.2 per cent of sales in the smallest to 4.4 per cent in the $10,000 to $20,000 sales size and then receded to 3.8 and 3.5 per cent in the two following sizes of business. For rented stations, the progression started at 4.2 per cent in the less than $10,000 sales grouping, dropped to a plateau of 3.5 per cent in the next two sizes and then receded to a level of 3.0 per cent of sales in the two largest sizes of business. Such a declining tendency in the ratios for this expense category is due in part at least to its content of fixed dollar costs which decrease in percentage form as sales volumes expand. Reflecting the natural presence of residual occupancy expenses, the ratios for owned stations were somewhat higher than those recorded by the rented outlets in three of the four sizes for which comparisons were possible.

Total expense ratios were higher for larger stations

Total operating expenses, summarizing the individual expense items just discussed, ranged between 5.9 and 10.4 per cent of sales in 1944. By size of business the filling stations with the larger sales volumes generally had the higher rates of total expenses, a trend conforming with the experiences of most of the retail trades from which reports were received in the recent survey. For stations in owned premises the smallest average at 5.9 per cent of sales was obtained by outlets with sales of less than $10,000, from which point the ratio rose to 7.4 per cent in the $10,000 to $20,000 size, dropped to 6.2 per cent in the next and then expanded to 10.4 per cent for those with annual receipts running between $30,000 and $50,000. A similar progression was also apparent in the averages for rented stations where the progression started at 8.5 per cent in the smallest, increased to 9.1 per cent in the next, levelled out at the higher average of 9.5 per cent in two larger sales sizes and finally rose to 10.3 per cent for outlets with 1944 sales of $50,000 and over.

Net earnings ratios lower for the larger sizes of stations

Due largely to the rising trend in the averages for total operating

expenses, the percentages for proprietor's net earnings decreased as the sizes of filling stations became larger. For outlets in owned premises, the series began with an average of 9.1 per cent of sales in the less than $10,000 sales size, rose against the trend to 10.1 per cent in the next grouping and then declined to 8.8 and 5.6 per cent in the two immediately larger sizes of business. Establishments in rented premises recorded a consistently downward trend, the net earnings percentages dropping from 11.6 per cent in the smallest to 8.2, 7.6, 7.0 and 5.8 per cent for the four larger sizes of filling stations. These averages, it should be noted, include two types of returns, one of which consists of a reward for the proprietor's personal services and the other of a return on the capital he has invested in the business. Both of these aspects should, therefore, be taken into account when assessing the profitability of the filling stations co-operating in the recent survey.

When expressed in terms of dollar averages, net earnings per station reversed the trend above noted and were consistently higher for the larger sizes of establishments. Thus moving from the smallest to the largest sizes of stations, the averages for the four groupings of owned outlets increased from $549 per unit in the smallest to $1,370, $2,156 and $2,280 per station in the three larger sales categories. A similar trend was also apparent among the five sizes of rented stations, proprietor's net earnings here rising from $758 per outlet in the less than $10,000 sales grouping to $1,292, $1,857, $2,505 and $3,912 per establishment in the four larger sizes of business.

Operating Results of Continuing Stations in 1941 and 1944 Compared

Of the 241 filling stations reporting their operating results for 1944, only 100 were able to give similar information for 1941. These were classified by size of business for Table 2 according to the sales they made in 1941 and thus quite independently of their dollar volumes in 1944. In view of the limited number of firms reporting for both years, however, it was necessary to reduce the number of size categories from the five shown in Table 1 to the three enlarged ones which appear in the second table. Each of these was then divided between stations in owned and in rented premises to form six sales and occupancy classifications of establishments. In one of these - that of owned stations with 1941 sales of $50,000 and over - only three reports were included. Statistics are, therefor, presented in Table 2 for only five of the six groupings of outlets. In these the samples were also quite small, there being three groupings for which the numbers varied between 10 and 14 reports. It is hoped, nevertheless, that the comparative averages will prove at least approximate indicators of the trends which were experienced.

A glance at the total sales figures shown in Table 2 will indicate the mixed and somewhat erratic trend in sales which the five groupings of continuing filling stations experienced between 1941 and 1944. The 24 owned outlets with sales of less than $20,000 recorded an average increase of about 27 per cent butthe 14 rented stations in the same size of business had an average gain of only 2 per cent over 1941 sales levels. A similar disparity may be noted for establishments with 1941 dollar volumes running between $20,000 and $50,000, the 10 owned ones registering an average increase of 9 per cent and the 35 rented ones a decrease of

nearly 7 per cent. No figures were published for owned filling stations with sales of $50,000 or more but the 14 rented establishments recorded a loss of 16 per cent in dollar volumes. Overall, the 63 stations in leased premises had an average decline of about 10 per cent against a seemingly erratic increase of 17 per cent experienced by the 34 owned outlets. Of the two percentages, the decrease of 10 per cent is probably a much closer approximation to the sales trends of all continuing filling stations because rationing undoubtedly effected considerable reductions in civilian gasoline consumption.

Stock turnover averages irregular in trend

Average rates of stock turnover for the five sales and occupancy groupings of establishments varied between 15.7 and 39.0 times in 1941 and between 17.8 and 33.2 times in 1944. When examined in detail, however, the trends were quite irregular, the averages in 1944 being lower in three and higher in two of the classifications than in the earlier period. Recording the decreases were owned stations having sales less than $20,000 and between $20,000 and $50,000 and rented ones with sales of $50,000 and over whose averages dropped from 19.3 to 18.2, from 29.8 to 24.7 and from 39.0 to 29.7 times, respectively. Average sales per station for the two owned groupings were higher in 1944 but their average ending inventories recorded greater percentage increases to lower the rates of stock turnover. The similar trend for the grouping of rented stations resulted from a decrease in average sales and an increase in average ending inventories per outlet. Rented stations with sales of less than $20,000 and between that and $50,000 bettered their turnover ratios for 1941, their ratios rising from 15.7 and 26.4 times in the earlier to 17.8 and 33.2 times in 1944. In the first of these, higher average sales in 1944 combined with lower average ending inventories per outlet to raise the turnover ratio while the increase in the second was caused by a relatively greater decline in average ending stocks than that which occurred in average sales per establishment.

Measured by total inventories reported, the trends in inventories at the end of 1941 and 1944 were mixed. For stations in owned premises having sales of less than $20,000 and between $20,000 and $50,000 and rented outlets with volumes of $50,000 and over, the total inventories were 43, 28 and 11 per cent higher at the end of 1944 than at the same date in the earlier year. In the two smaller sizes of rented stations, however, the ending stocks were valued about 12 and 16 per cent lower. This meant a decline of about 7 per cent in the ending inventories of all rented establishments which compares with a rather erratic increase averaging 36 per cent in the stocks of their owned counterparts.

Inventories of merchandise per station were comparatively small at the close of both years. In 1941, the averages for the five sales and occupancy groupings ranged from $472 to $1,445 and in 1944 from $623 to $1,605 per establishment. With valuations as low as these, even moderate changes in the dollar figures between different stations in the same year or between 1941 and 1944 could produce sizable variations in average rates of stock turnover and in inventory positions between the end of the two years - variations less important economically than the percentage differences would suggest.

Gross profit percentages averaged slightly lower

Average rates of gross trading profits for the five classes of filling stations ranged between 15.8 and 19.8 per cent of sales in 1941 and between 14.5 and 19.6 per cent in 1944. In all but one of the sales and occupancy groupings, moreover, the ratios were somewhat lower in the more recent period. Owned stations with sales of less than $20,000 recorded the greatest decline, the average dropping from 16.5 per cent in the earlier to 14.5 per cent in the later period. Owned and rented stations with sales running between $20,000 and $50,000 experienced the second and third largest decreases, their ratios falling from 15.9 to 15.0 and from 17.6 to 17.0 per cent of sales between the two years while a minor contraction was recorded in the smallest, and a slight increase appeared in the largest size of rented establishments.

Payroll ratios also lower in 1944

Among the operating expenses, the five percentages for employees' salaries and wages were likewise consistently lower in the more recent period. In 1941 total payroll costs varied between 1.7 and 5.5 per cent of sales and in 1944 between the lower outside limits of 1.2 and 4.6 per cent of annual receipts. The three groupings of rented stations recorded the largest contractions, the averages for the smallest, intermediate and largest sizes of business dropping from 3.0 to 1.8, 5.0 to 3.8 and from 5.5 to 4.2 per cent of sales, respectively. For owned outlets the reductions were somewhat less marked, the ratio for those having sales under $20,000 declining from 1.7 to 1.2 per cent and for those with annual volumes between $20,000 and $50,000 from 5.5 to 4.6 per cent.

Wartime regulations requiring filling stations to remain closed on Sunday and restricting open hours from 7 a.m. to 7 p.m. on week days probably were mainly responsible for the downward trends in the payroll percentages. These restrictions generally concentrated business volumes into the more productive daytime selling periods where average sales per daylight payroll dollar were normally highest, and, by eliminating the evening and night periods when sales per comparable payroll dollar averaged lower, enabled employees' salaries and wages to form smaller percentages of sales. Such conditions may have permitted at least some of these continuing stations to reduce the numbers of persons employed, their average payroll costs in dollar figures being somewhat lower in 1944. Changes from full-time to part-time and from male to female employees may also have contributed to the smaller dollar averages. These regulations, it should be noted, became effective during the latter half of 1941 and hence influenced the operating result figures presented in Table 2 for part of that year. This has tended to reduce the contrasts between 1941 and 1944 for the restrictions were fully in effect during the more recent year.

Rental costs as percentages of sales in 1944 were virtually unchanged from their 1941 levels. In the smallest size of business the averages stood at 2.6 per cent of sales in both years and thus reflected the comparative stability found in average sales per station in the two periods under review. In the intermediate and largest sales sizes, the ratios dropped from 2.2 to 2.1 and from 2.1 to 1.9 per cent of annual receipts. With average sales per station also somewhat lower for these

groupings in 1944, the small declines in the ratios may be due in some instances to a contraction in properties leased or to the renewal of leases at moderately lower levels of dollar expenditure.

Advertising expenses in percentage form were relatively small in both periods, the five averages varying between 0.1 and 0.3 per cent of sales in 1941 and between 0.1 and 0.4 per cent in the more recent year. Depreciation allowances also formed comparatively small percentages of sales in each of the two periods. These averages ranged from a low of 0.2 to a high of 1.1 per cent in 1941 and from 0.3 to 0.9 per cent of annual receipts in 1944. Little evidence of a trend between the two years is apparent, there being two groupings in which the ratios were unchanged, two in which slight declines were recorded and one which registered a minor advance.

Other operating expenses also remained comparatively stable as percentages of sales in the two years under review. For 1941 the five averages were contained within outside limits of 2.7 and 4.3 per cent while the corresponding figures for the later period amounted to 2.9 and 4.4 per cent of total sales reported.

Total expense percentages averaged lower in 1944

Total operating expenses for the five sales and occupancy classes of filling stations were all lower as percentages of sales in the more recent year. For 1941 these averages varied between 7.2 and 10.9 per cent while in 1944 the outside limites stood at 6.6 and 9.7 per cent of the dollar volumes. The greatest contractions occurred in the smallest, intermediate and largest sizes of rented stations, the ratios dropping from 9.9 to 9.0, 10.9 to 9.5 and from 10.8 to 9.7 per cent, respectively. In a relative way the reductions were also important for owned stations having sales below $20,000 and between $20,000 and $50,000, the averages for which receded from 7.2 to 6.6 and from 10.0 to 9.0 per cent of receipts. These declines, it will be noted, were principally due to the recessions in the payroll ratios, the possible reasons for which have already been suggested.

Net earnings ratios were mainly higher

As a consequence of the more pronounced decrease in operating expenses than in gross margins, net earnings as percentages of sales moved upward between 1941 and 1944 in all but one of the five classifications of filling stations. Increases were general for the three sizes of rented stations, the ratios for the smallest, intermediate and largest sizes rising from 9.9 to 10.6, 6.7 to 7.5 and 5.0 to 6.4 per cent of sales in the earlier and later periods. Owned stations with sales of less than $20,000 experienced a decline, their averages dropping from 9.3 to 7.9 per cent as a result of a particularly sharp contraction in the gross profit percentage. Stability, on the other hand, featured the net earnings of owned stations with sales varying between $20,000 and $50,000, the average amounting to 5.9 and 6.0 per cent in 1941 and 1944. Average net earnings per station when expressed in dollar figures

followed the same general trend and were uniformly higher in the more recent year, the figures ranging between $973 and $3,245 per outlet in 1941 and between $1,047 and $3,469 in 1944. The gains, however, were not large for even the greatest increase in the averages amounted to only $225.

Table 1.--Filling Stations - Operating Results for Stations Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	42	12	35	39
2. Total Sales	$254,573	$78,617	$474,756	$613,711
3. Average Sales Per Store	6,061	6,551	13,564	15,736
Total Inventory Reported,				
4. Beginning of Year	13,753	5,487	21,362	23,824
5. End of Year	13,996	5,521	24,247	23,953
6. Average for Year	13,875	5,504	22,805	23,888
Average Inventory Per Store,				
7. End of Year	333	460	693	614
8. Cost of Goods Sold	216,387	62,815	391,674	507,539
9. Stock Turnover (times per year) ..	15.6	11.4	17.2	21.2
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	15.0	20.1	17.5	17.3
Operating Expenses:				
11. Employees' Salaries and Wages ..	0.6	1.0	2.1	2.3
12. Rent	-	2.9	-	2.6
13. Advertising	0.1	0.1	0.1	0.1
14. Depreciation	1.0	0.3	0.8	0.6
15. Other Operating Expenses	4.2	4.2	4.4	3.5
16. Total Operating Expenses	5.9	8.5	7.4	9.1
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	9.1	11.6	10.1	8.2
18. Average Proprietor's Net Earnings Per Store	$549	$758	$1,370	$1,292

Table 1.--Filling Stations - Operating Results for Stations Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
12	37	13	32		14	1.
$294,710	$898,651	$529,987	$1,138,563		$941,852	2.
24,559	24,288	40,768	35,580		67,275	3.
11,919	23,323	13,462	24,707	SAMPLE	16,170	4.
14,026	25,962	17,262	25,867	TOO	19,808	5.
12,973	24,642	15,362	25,287	SMALL	17,989	6.
1,169	702	1,328	808		1,415	7.
250,504	744,982	445,189	950,700		790,214	8.
19.3	30.2	29.0	37.6		43.9	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
15.0	17.1	16.0	16.5		16.1	10.
1.7	3.6	5.8	4.1		4.4	11.
-	1.9	-	2.0	SAMPLE	2.2	12.
0.1	0.2	0.2	0.1		0.4	13.
0.6	0.3	0.9	0.3	TOO	0.3	14.
3.8	3.5	3.5	3.0		3.0	15.
6.2	9.5	10.4	9.5	SMALL	10.3	16.
8.8	7.6	5.6	7.0		5.8	17.
$2,156	$1,857	$2,280	$2,505		$3,912	18.

Table 2.--Filling Stations - Operating Results for Stations Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1 9 4 1		1 9 4 4	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	24	14	24	14
2. Total Sales	$250,000	$184,227	$317,286	$188,211
3. Average Sales Per Store	10,417	13,159	13,220	13,444
Total Inventory Reported,				
4. Beginning of Year	10,353	8,907	13,483	8,239
5. End of Year	11,326	9,957	16,255	8,721
6. Average for Year	10,839	9,432	14,869	8,480
Average Inventory Per Store,				
7. End of Year	472	711	677	623
8. Cost of Goods Sold	208,750	147,750	271,280	151,322
9. Stock Turnover (times per year) ..	19.3	15.7	18.2	17.8
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	16.5	19.8	14.5	19.6
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.7	3.0	1.2	1.8
12. Rent	-	2.6	-	2.6
13. Advertising	0.1	0.3	0.1	0.2
14. Depreciation	1.1	0.4	0.9	0.4
15. Other Operating Expenses	4.3	3.6	4.4	4.0
16. Total Operating Expenses	7.2	9.9	6.6	9.0
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	9.3	9.9	7.9	10.6
18. Average Proprietor's Net Earnings Per Store	$973	$1,303	$1,047	$1,426

Table 2.--Filling Stations - Operating Results for Stations Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

AMOUNT OF ANNUAL SALES								
$20,000 to $49,999				$50,000 and Over				
1 9 4 1		1 9 4 4		1 9 4 1		1 9 4 4		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
10	35	10	35		14		14	1.
$316,954	$1,138,645	$345,627	$1,063,726		$898,676		$758,114	2.
31,695	32,533	34,563	30,392		64,191		54,151	3.
				SAMPLE		SAMPLE		
7,796	27,732	10,794	25,105		18,571		20,368	4.
10,096	33,400	12,964	28,087	TOO	20,237	TOO	22,475	5.
8,946	35,566	11,879	26,596		19,404		21,422	6.
				SMALL		SMALL		
1,010	954	1,296	802		1,445		1,605	7.
266,558	938,243	293,783	882,893		756,685		636,058	8.
29.8	26.4	24.7	33.2		39.0		29.7	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
15.9	17.6	15.0	17.0		15.8		16.1	10.
5.5	5.0	4.6	3.8		5.5		4.2	11.
-	2.2	-	2.1	SAMPLE	2.1	SAMPLE	1.9	12.
0.1	0.2	0.1	0.2		0.3		0.4	13.
0.6	0.4	0.5	0.4	TOO	0.2	TOO	0.3	14.
3.8	3.1	3.8	3.0		2.7		2.9	15.
				SMALL		SMALL		
10.0	10.9	9.0	9.5		10.8		9.7	16.
5.9	6.7	6.0	7.5		5.0		6.4	17.
$1,868	$2,188	$2,093	$2,283		$3,245		$3,469	18.

PART IV - GARAGES

Trends by Size of Business, 1944

The garages whose operating results are analyzed in this section are those which in 1941 so combined the sale of such merchandise as parts and accessories, gas and oil, with the performance of repairs that receipts from repairs or other services made up between 25 and 50 per cent of the total annual business. These establishments might be termed "merchandising", as distinguished from "service" garages in which repairs and other services represents the major activity and accounts for the greater portion of the dollar volume of business. The firms included here, moreover, have been classified according to the type of business they conducted in 1941. With the practical elimination of the new car market which took place in the following year and with the increased emphasis on repair work which ensued it is altogether likely that repair and other service receipts in many cases formed a considerably greater proportion of the total business in 1944 than in 1941, perhaps even exceeding the 50 per cent limit which was set in the census instructions.

There were 3,156 establishments in Canada in 1941 of the type defined above. These had annual receipts from all sources amounting to $47,561,400 in that year. Sales of gasoline and oil formed 41.7 per cent of this total; parts and accessories, tires, tubes and storage batteries accounted for 29.4 per cent; receipts from repairs and other services came next at 21.6 per cent while the remaining 7.3 per cent represented the sale of relatively small numbers of new and used motor vehicles together with miscellaneous merchandise.

The average operating results contained in this section are based on reports received from 165 garages which gave details regarding their trading operations in 1944. These have been classified into five size-of-business groupings: (a) less than $10,000; (b) $10,000 to $19,999; (c) $20,000 to $29,999; (d) $30,000 to $49,999 and (e) $50,000 and over. Each of these categories was further divided as between those in owned and those in rented premises. When thus classified the sample number of firms in the various categories ranges from eight for owned establishments in the largest size category to twenty-four for rented establishments having annual receipts of between $30,000 and $50,000. The average results quoted in the following paragraphs and shown in the table should be used only after due consideration has been given to the limited size of the sample upon which the results are based.

Inventory turnover averaged between 6.3 and 15.8 times

While the rate at which inventories were turned over during the year showed some tendency to be higher for the larger than the smaller businesses, no consistent trend was apparent. Stock turnover, calculated by dividing cost of merchandise sold by the average at cost levels of the inventories reported at the beginning and end of the year, ranged from a low of 6.3 times for a group of 20 establishments in owned premises having annual sales of less than $10,000 to a high of 15.8 times for 20 establishments in rented premises having annual receipts of between $10,000 and $20,000. The absence of any consistent trend in turnover in relation to size of business may be attributed to wide variations between reports in respect to the proportions of receipts which were derived from the performance of services. If the reporting garages had been classified by size according to their sales of merchandise only it is quite possible that the stock turnover averages of the larger garages would have been higher than

those of the smaller ones. Such a trend, it may be noted, is a normal one in many branches of retail trade. The necessary information, unfortunately, was not available for this purpose.

The year 1944 witnessed an increase in the merchandise inventory holdings of the reporting garages, a gain shared by owned and rented establishments in almost all sizes of business, and averaging 13.7 per cent from the beginning to the end of the year for the 165 garages submitting information. Such an increase in inventory holdings reflects the growth in the importance of automotive repair work which took place during the year under review in response to the continued curtailment of automobile production. In this regard the sales of wholesalers specializing in the distribution of automotive parts and accessories were 25 per cent higher in 1944 than in 1943. It is altogether likely that the increase in total inventories held by the retail merchandise garages represented expanded holdings of parts and accessories rather than any increase in the stocks of gasoline or lubricating oils carried.

Average inventories per establishment for the ten sales and occupancy groupings of garages varied between $608 and $5,185 in 1944. These, with but two exceptions, conformed to the general trend in retail trade and were higher for the larger businesses than the smaller ones in the year under review.

<u>Gross trading profits varied between 23.7 and 30.3 per cent</u>

Gross trading profits or the difference between annual receipts and the cost of merchandise sold represents the amount of revenues available to defray operating expenses and to yield a net profit on the year's operations. When expressed as percentages of annual receipts the gross trading profit for garages in owned premises was somewhat lower for large than for small businesses and ranged from 27.9 per cent for the sample with annual receipts of less than $10,000 to 25.2 per cent for establishments having annual receipts of $50,000 or more. In the case of rented establishments no such definite tendency was found to exist. The ratios centered around 30 per cent of annual receipts in the case of the smallest, the middle and the largest size classes, and around 25 per cent for each of the other two groups. The gross profit percentages were perhaps somewhat higher than they would have been in a more normal year because of the possibility that the proportions of receipts derived from service activities were higher than usual. Such service receipts, of course, consisted mainly of labour costs which were generally included in salaries and wages and thus added little to the cost of goods sold. In view of the limited size of the sample and the varying proportions of total receipts obtained from merchandise sales and from services, moreover, the ratios offer little indication of the way the gross profits percentages would have varied by size of business if the effects of these factors could have been removed.

Salary and wage payments to employees when expressed as percentages of annual sales varied widely between the different size classes into which the total sample number of establishments has been divided. In the case of owned establishments the wage ratios varied from a minimum of 1.3 per cent for the smallest to 10.7 per cent for the largest size of business. Corresponding ratios for rented establishments were 2.5 per cent and 12.9 per cent, respectively. It should be noted in this connection that the salary and wage figures on which these ratios are based do not include the compensation of proprietors. Their services form large portions of the work of the entire labour force in the case of small businesses. The upward trend in wage payments when expressed as percentages of sales as the size of business increases, therefore, reflects the decreasing

importance of the proprietor's services relative to the total wage costs and the increasing proportion of the work performed by paid employees.

Rentals paid for properties used by the garages are fixed dollar costs once the lease has been negotiated. Such costs when expressed as percentages of sales generally decrease as the size of business increases indicating the ability of the proprietor to spread these fixed costs more thinly over larger volumes of sales. That this relationship holds true in the case of garages is evident from a glance at the table. Here the rentals varied from 4.2 per cent of annual receipts for the sample of 13 establishments in rented premises with annual receipts of less than $10,000 to 1.8 per cent for the 9 garages having receipts of $50,000 or more. The ratio of only 1.9 per cent for the group of 20 garages in the $10,000 to $20,000 bracket must be attributed to the inclusion in this group of a number of establishments having rental costs markedly out of line with the general average.

Advertising expenses as percentages of receipts were comparatively small, generally averaging 0.2 or 0.3 per cent for garages in rented premises and somewhat lower at 0.1 or 0.2 per cent for garages in which the premises were owned. The higher advertising expense ratio for rented garages is probably related to differences in shop locations, a higher proportion of the garages in rented premises being located in the larger urban areas where competition is keener and advertising expenditures consequently more necessary.

Depreciation allowances as percentages of receipts were lower for the larger establishments and, for a given size of business, were lower for garages in rented premises than for those in which the property was owned by the proprietor. The table shows that depreciation allowances for owned premises ranged downwards from 2.1 per cent for establishments in the smallest size category to 1.0 per cent for those having annual receipts of $50,000 or more. The corresponding range for garages in rented premises was from 1.3 per cent to 0.7 per cent. The higher ratios for owned than for rented garages is a natural reflection of the greater capital investment in buildings and other physical assets by the proprietors of garages who own their business premises. The decline in this expense ratio as the size of business increases may be attributed to the same factor as that explaining the similar trend for rental expenditures, namely, the ability of the proprietor to spread this more or less fixed cost over expanding volumes of business.

All other operating costs were combined into one classification. Included here are such items as communication, heat, light, power and water, taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, losses on bad debts and sundry expenses. Due to the varying nature of the components of this residual expense category the results showed no definite tendency to vary either directly or inversely as the size of business expanded. With the exception of the smallest size-of-business category the ratios for owned establishments ranged narrowly around 6.4 per cent of receipts. The corresponding average for the same four size groups of rented establishments was 5.5 per cent. The higher expense ratio for owned establishments may be attributed in part at least to the inclusion therein of certain occupancy expenses such as insurance, repairs and maintenance and perhaps interest on mortgage indebtedness, items which would find their counterpart in rental costs rather than in the miscellaneous item in the case of garages in rented premises.

Total expense ratios varied between 12.0 and 21.6 per cent

On consolidating the various expense items already described, total operating expenses ranged upward from 12.0 per cent of receipts for the smallest size category to 18.5 per cent for the largest size group in the case of owned premises. In the case of rented establishments the corresponding range was from 15.9 per cent to 21.6 per cent. The upward movement in the total expense ratio as the size of business increased was due principally to the expansion in payroll ratios which more than offset the decreases recorded in rental costs and depreciation allowances. But here again it should be noted that neither in the wage costs nor in the total expense ratios are any allowances made for the value of proprietors' services. Inclusion of a fair estimate for the value of such services would no doubt reverse the trend noted above and would result in a higher total operating expense ratio for the smaller establishments than for those with a larger annual volume of business.

Net earnings ranged between 6.7 and 15.9 per cent of receipts

Proprietor's net earnings before income taxes as revealed by the results of this survey may be considered to contain two components. One of these consists of a salary return for the proprietor's managerial, clerical and mechanical services while the other represents the net profit which the proprietor might reasonably expect to receive from the capital he has invested and risked in his business. Thus defined, the net earnings for garages when expressed as percentages of annual receipts varied between wide limits ranging downwards from 15.9 per cent for owned garages in the smallest size class to 6.7 per cent for owned establishments with annual receipts of $50,000 or more. Notwithstanding this downward trend, the dollar figures for average net earnings per establishment showed a consistent expansion as the size of business increased. Thus, in the under $10,000 sales size the average proprietor's net earnings amounted to $1,066 and $944 for owned and rented establishments, respectively, from which the averages moved progressively upward for each size of business until averages of $4,375 and $5,775 for owned and for rented garages in the largest size category were reached.

Garages - Operating Results for Establishments Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	20	13	20	20
2. Total Sales	$133,713	$85,053	$277,053	$280,923
3. Average Sales Per Store	6,686	6,543	13,853	14,046
Total Inventory Reported,				
4. Beginning of Year	13,987	7,000	22,643	13,208
5. End of Year	16,531	7,898	26,606	13,419
6. Average for Year	15,259	7,449	24,625	13,313
Average Inventory Per Store,				
7. End of Year	827	608	1,330	671
8. Cost of Goods Sold	96,407	59,282	211,391	210,411
9. Stock Turnover (times per year) ..	6.3	8.0	8.6	15.8
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	27.9	30.3	23.7	25.1
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.3	2.5	4.1	4.9
12. Rent	-	4.2	-	1.9
13. Advertising	0.1	0.2	0.2	0.3
14. Depreciation	2.1	1.3	2.1	1.0
15. Other Operating Expenses	8.5	7.7	6.6	5.0
16. Total Operating Expenses	12.0	15.9	13.0	13.1
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	15.9	14.4	10.7	12.0
18. Average Proprietor's Net Earnings Per Store	$1,066	$944	$1,486	$1,681

Garages - Operating Results for Establishments Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $40,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
15	23	13	24	8	9	1.
$374,980	$552,025	$503,295	$887,685	$523,202	$633,620	2.
24,999	24,001	38,715	36,987	65,400	70,402	3.
25,592	39,457	53,160	41,036	31,250	40,394	4.
30,019	51,378	53,670	50,454	30,566	46,661	5.
27,806	45,417	53,415	45,745	30,908	43,528	6.
2,001	2,234	4,128	2,102	3,821	5,185	7.
272,985	392,490	371,935	666,651	391,355	444,801	8.
9.8	8.6	7.0	14.6	12.7	10.2	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
27.2	28.9	26.1	24.9	25.2	29.8	10.
7.2	10.4	10.2	9.5	10.7	12.9	11.
-	2.3	-	2.1	-	1.8	12.
0.1	0.3	0.1	0.2	0.2	0.4	13.
1.6	1.0	1.5	0.9	1.0	0.7	14.
6.3	6.1	6.1	4.9	6.6	5.8	15.
15.2	20.1	17.9	17.6	18.5	21.6	16.
12.0	8.8	8.2	7.3	6.7	8.2	17.
$2,995	$2,112	$3,173	$2,713	$4,375	$5,775	18.

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Minister of Trade and Commerce

MERCHANDISING AND SERVICES STATISTICS

DOMINION BUREAU OF STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

RETAIL FILLING STATIONS

AND

GARAGES

1945

BULLETIN NO 6

CANADA

July, 1947

Price 25 Cents

CONTENTS

DEFINITIONS

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS TRADING PROFIT OR MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in operating a business, except the cost of merchandise. They include:

Salaries and wages paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are not included.

Advertising

Store supplies used in the business during the year such as: wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts in the year - amount written off less bad debts recovered.

Taxes and insurance - business, property and water taxes, licences, including truck licences, insurance premiums carried for the protection of the business. Income taxes are not included.

Rentals - for premises used only in the business.

Heat, light and power used in the year.

Repairs and maintenance - incurred for the purpose of keeping fixed store assets in efficient operation, including delivery equipment.

Depreciation - allowances to cover decreases in the value of fixed store assets including delivery equipment.

All other expenses - telephone, telegraph, postage, bank charges, legal, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

CUSTOMERS' ACCOUNTS OUTSTANDING are all accounts receivable on the books at the end of the year.

DOMINION BUREAU OF STATISTICS

Dominion Statistician:	Herbert Marshall
Director, Division of Census of Industry and Merchandising:	W. H. Losee
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OPERATING RESULTS OF RETAIL FILLING STATIONS AND GARAGES, 1945

Introduction

This report is one of a series reviewing average operating results for 1945, and covers retail filling stations and garages. In 1944 a similar survey was carried out for a dual purpose; to provide an estimate of the contribution made to the national income by unincorporated retail stores, and to provide reliable statistics on operating costs in retail trade. The average results presented in this report were obtained from stores whose individual profits and expenses vary considerably. Therefore, if the results of an individual store do not coincide with the averages, it does not follow that the store is being operated inefficiently.

The tables, however, may assist the merchant in deciding where economies may be most effective and may indicate the need for additional expenditures in other phases of business operation to meet changing conditions. Repairs or replacements of fixed assets and equipment, not available during war years, may now become a necessity. The resuming of pre-war services such as deliveries and credit, may be necessary to keep up sales volume in face of otherwise declining sales. With the possibility of more competition, unstable prices and greater expense outlay, these basic operating ratios may be of use in planning for changed conditions in the retail field.

The ultimate objective of business is to realize a net profit on operations. This might be the first item of comparison an individual owner makes with his own results. If his net profit is greater than the average shown for his particular business in this report, he may gain further by item-by-item comparison of his operating costs with those in the tables. If his net profit is smaller than average, a careful check should be made on his different expense items, using the averages shown as a guide in determining which items require investigation. In this way improvement in gross margin or a lessening of expenses may be accomplished to result in a greater net profit.

The prospective new entrant may find much information useful in planning his inventory outlay, expected rate of stock turnover, and various expenses such as salaries, advertising, rentals and so on.

Definitions of the terms used in this report and the components of the different expense items are given on page 4. When making comparison with other results, allowance should be made for any difference in definitions. When making comparisons of present day results with this report, allowance should also be made for any economic changes which have occurred since 1945. Chain stores were not included in this survey.

SUMMARY

Some of the significant features in the operation of retail filling stations and garages in 1945 are noted below.

Filling Stations

1. Filling stations realized a wider gross margin in 1945 than in 1944, the respective ratios being 17.9 per cent and 16.5 per cent. A higher ratio of expenses, especially salaries, offset the 1945 marginal advantage to result in a slightly smaller net profit than was realized in 1944. Average net profit of filling stations in 1945 was 7.1 per cent as compared to 7.3 per cent in the previous year. (See table 1).

2. Though gross margin ratios were irregular over the different size ranges, net profit ratios decreased consistently as the volume of business expanded. Reflecting an increase in ratio of salary expense, total expenses were greater in the larger filling stations. (See table 3, page 7).

3. Filling stations operating in rented premises, obtained wider gross margins than those operating from owned premises. Total expenses in rented premises were greater, reflecting rent expense and higher salary cost. No consistent differences appeared in net profit ratios of owned and rented stations. (See table 3, page 7).

Table 1. - Operating Results of Filling Stations
(With 1944 percentages for comparison)

Item	1945 (515 stations) Average dollar figures	1945 (515 stations) Percentage of net sales		1944 (241 stations) Percentage of net sales
	$	%		%
Average net sales	32,492	100.0		100.0
Gross trading profit	5,832	17.9		16.5
Operating expenses:				
Employees' salaries	1,619	5.0		3.7
Advertising	60	0.2		0.2
Store supplies	238	0.7	5.6	5.3
Bad debts	40	0.1		
Occupancy expense	1,187	3.7		
All other expenses	364	1.1		
Total operating expenses	3,508	10.8		9.2
Net profits before deduction of proprietors' salaries and income tax	2,324	7.1		7.3

Garages

1. In 1945, garages for the repair of motor vehicles and for sale of parts, accessories, gasoline, oil and grease operated on a gross profit of 27.9 per cent as compared to the 1944 gross margin of 26.7 per cent. A greater expense ratio in 1945 reduced this advantage to only slightly greater net profit - 1945, 9.3 per cent and 1944, 9.0 per cent. (See table 2).

2. Although gross profit ratios were irregular over the different size ranges, net profit ratios showed a consistent decrease with expanding sales volume. A high ratio of salary expense reflected the repair work which formed approximately 24 per cent of net sales. While the ratio of salary expense increased with sales volume, other expenses generally decreased in ratio in the larger garages. (See table 4, page 9).

Table 2. - Operating Results of Garages
(With 1944 percentages for comparison)

Item	1945 (240 garages)			1944 (165 garages)
	Average dollar figures	Percentage of net sales		Percentage of net sales
	$	%		%
Average net sales	34,525	100.0		100.0
Gross trading profit	9,644	27.9		26.7
Operating expenses:				
Employees' salaries	3,449	10.0		9.1
Advertising	106	0.3		0.2
Store supplies	355	1.0	8.3	8.4
Bad debts	91	0.2		
Occupancy expense	1,756	5.1		
All other expenses	680	2.0		
Total operating expenses	6,437	18.6		17.7
Net profits before deduction of proprietors' salaries and income tax	3,207	9.3		9.0

GENERAL DISCUSSION AND TABLES

Filling Stations

Filling stations are engaged principally in selling gasoline and oil, accessories, tires and tubes. To remain in this classification, repairs should not form more than 25 per cent of net sales and gasoline and oil must account for 75 per cent of total merchandise sales. Usable reports were received from 515 filling stations. When classified by size of business and occupancy basis there were too few establishments in rented premises with sales less than $10,000 and in both owned and rented groups with sales over $100,000 to allow publication of average results.

Trends by Size of Business (See table 3, page 7)

While gross profits were irregular in ratio to net sales, a proportion of expenses expanding with sales volume resulted in decreasing net profit ratios. Because of business volume, the smaller net profit ratios in the larger businesses actually represented greater dollar value net earnings. Other than in salary expense where an upward trend in ratio was evident, and in light, heat and power where a declining ratio was shown, no significant change took place in expenses over the different size ranges.

Stocks on hand at the end of the year were greater than at the beginning in every size and occupancy class shown. With one exception, the rate of stock turnover increased with sales volume; in rented premises from 17.3 times per year to 32.0 times; in owned premises from 13.5 times to 27.3 times.

Table 3.--Filling Stations - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than $10,000		$10,000-$19,999		$20,000-$49,999		$50,000-$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stations reporting	24		78	46	93	184	20	55
Average net sales $	6,764		15,582	16,184	30,237	32,460	62,832	63,271
Average inventory beginning of year $	256		839	719	1,230	877	1,747	1,512
Average inventory end of year $	293		1,064	813	1,419	1,104	2,103	1,712
Average cost of goods sold $	5,672		12,820	13,216	25,066	26,643	52,553	51,637
Stock turnover (times per year)	20.7	SAMPLE	13.5	17.3	18.9	26.9	27.3	32.0
Number of working proprietors	24		82	49	101	201	23	67
	PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)							
Gross trading profit	16.1		17.7	18.3	17.1	17.9	16.3	18.4
Operating expenses:								
Employees' salaries and wages	0.5		2.7	2.9	4.4	4.7	5.1	6.2
Advertising	0.1		0.1	0.2	0.2	0.2	0.2	0.2
Store supplies	0.5		0.9	0.6	0.7	0.8	0.6	0.7
Bad debts	(a)		0.2	0.1	0.1	0.1	0.2	0.1
Taxes and insurance	0.7		0.8	0.6	0.7	0.5	0.6	0.5
Rent	-	TOO	-	2.0	-	1.8	-	1.9
Light, heat and power	1.7		1.3	1.1	0.8	0.8	0.6	0.6
Repairs and maintenance	0.5		0.7	0.3	0.7	0.3	0.7	0.3
Depreciation	0.8		1.0	0.3	0.8	0.4	0.8	0.4
All other expenses	1.0		1.2	1.1	1.1	1.1	1.2	1.1
Total operating expenses	5.8		8.9	9.2	9.5	10.6	10.0	12.0
Net profits before deduction of proprietors' salaries and income tax	10.3		8.8	9.1	7.6	7.3	6.4	6.4
Average net earnings $	700	SMALL	1,376	1,484	2,300	2,376	3,974	4,023
Average customers' accounts outstanding $	22		374	269	619	466	1,870	1,488

(a) Less than 0.05 per cent.

Garages

Garages in this classification are those which might be termed "merchandising" as apart from "service" garages. If the receipts from repairs or other services formed more than 50 per cent of total sales, the business was not included in this classification. The average garage included in this report showed receipts from services as 23.7 per cent of total sales.

Usable reports were received from 240 such garages. When classified by size of business and occupancy basis there were too few in the size class of over $100,000 sales and in rented garages with sales less than $10,000 to allow presentation of average results. Comparable information for previous years other than 1944 is not available.

Trends by Size of Business (See table 4, page 9)

Although gross profit ratios were irregular over the different size ranges, a ratio of total expenses increasing with sales volume resulted in a diminishing net profit ratio. This smaller net profit ratio in the larger garages actually represented greater dollar value net earnings because of the greater business volume. While the ratio of salary expense increased considerably with sales volume, most of the other expense items showed minor declines in ratio.

Stocks on hand at the end of the year were greater in every class shown than at the beginning. With one exception the rate of stock turnover increased with expanding volume of business. In owned premises the turnover ranged from 6.9 times per year to 10.3 times and in rented garages from 10.0 times to 15.3 times.

Table 4.--Garages - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than $10,000		$10,000-$19,999		$20,000-$49,999		$50,000-$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of garages reporting	27		44	30	62	63	16	22
Average net sales	7,173		15,372	15,464	31,704	33,540	61,636	66,787
Average inventory beginning of year ... $	683		1,242	1,006	2,137	1,472	3,805	3,097
Average inventory end of year ... $	763		1,370	1,229	2,502	1,733	4,887	4,039
Average cost of goods sold ... $	4,964		11,124	11,168	22,853	24,556	44,930	47,717
Stock turnover (times per year)	6.9	SAMPLE	8.5	10.0	9.9	15.3	10.3	13.4
Number of working proprietors	30		47	32	68	81	24	31

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Less than $10,000 Owned	Less than $10,000 Rented	$10,000-$19,999 Owned	$10,000-$19,999 Rented	$20,000-$49,999 Owned	$20,000-$49,999 Rented	$50,000-$99,999 Owned	$50,000-$99,999 Rented
Gross trading profit	30.8		27.5	27.8	27.9	26.8	27.1	28.6
Operating expenses:								
Employees' salaries and wages	3.6		7.0	6.3	9.8	9.6	11.4	12.1
Advertising	0.2		0.1	0.2	0.3	0.3	0.4	0.4
Store supplies	1.3		1.0	1.2	1.3	1.0	0.8	0.8
Bad debts	0.2		0.1	0.3	0.2	0.2	0.5	0.3
Taxes and insurance	1.7		1.3	0.9	1.3	0.8	1.2	1.0
Rent	-	TOO	-	2.4	-	1.9	-	1.6
Light, heat and power	2.5		1.6	1.7	1.2	1.2	1.0	1.0
Repairs and maintenance	1.4		1.1	0.8	1.1	0.5	0.7	0.6
Depreciation	2.0		1.7	1.1	1.4	0.7	1.4	0.7
All other expenses	2.1		1.9	1.8	2.0	1.7	2.3	1.5
Total operating expenses	15.0		15.8	16.6	18.6	17.9	19.7	20.0
Net profits before deduction of proprietors' salaries and income tax	15.8		11.6	11.2	9.3	8.9	7.4	8.6
Average net earnings ... $	1,134	SMALL	1,517	1,734	2,958	2,979	4,579	5,745
Average customers' accounts outstanding $	234		438	526	1,644	1,591	4,244	3,905
Receipts from repairs (% of net sales)	24.0		25.3	23.7	15.3	21.6	22.2	23.7

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Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

RETAIL FILLING STATIONS

AND

GARAGES

1946

BULLETIN NO 6

May, 1948

Price 25 cents

TABLE OF CONTENTS..........

DEFINITIONS..................

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit.
Advertising
Store supplies - used in the business during the year - wrapping paper, office supplies, gasoline and oil for delivery trucks.
Loss on bad debts - during the year - amount written off Less debts which are recovered.
Taxes and Insurance - business, property and water taxes, licences including truck licences, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.
Rentals - monies paid for premises used only in the business.
Heat, light and power expenses - amount paid for these used during the year.
Repairs and maintenance - incurred for the purposes of keeping fixed store assets, including delivery equipment, operating efficiently.
Depreciation - allowances to cover decreases in the value of fixed store assets, including delivery equipment.
Occupancy expense - comprises taxes and insurance, rent, heat, light and power, repairs and maintenance, and depreciation.
Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES STATISTICS

OTTAWA

Dominion Statistician, HERBERT MARSHALL
Director, Division of Census of Industry and Merchandising, W.H. Losee
Chief, Merchandising and Services Statistics, C.H. McDonald

Series, 1946
No. 17

16-7060

OPERATING RESULTS OF FILLING STATIONS AND GARAGES

INTRODUCTION

The operating results of retail filling stations and garages in 1946 are presented in this report, which continues the series of bulletins published for 1944 and 1945. The survey is based upon operating statements contributed by a sample of firms throughout the country. The sample included only unincorporated independent filling stations and garages.

Results of the two types of business are grouped to provide a composite picture of the trade. Tables and charts illustrate, clarify and facilitate understanding of the text. It is hoped that operators, students, and others, will consult these reports as source of reference and information.

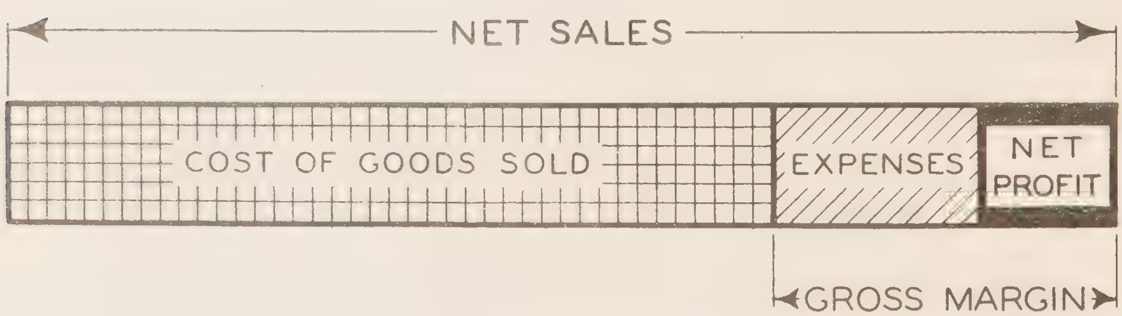
Once each year, at least, the operator must come to grips with the task of reviewing his operations, and calculating his expenses and profits. At the same time he may make plans for the coming months, applying his knowledge, experience, and personal observations to increase the efficiency of his business. This bulletin has been prepared for the purpose of augmenting the operator's experience with data which describe the operations of his own type and size of business.

Our studies do not attempt to deal with such matters as store layout, advertising display, and salesmanship, which may be called methods of operation. The emphasis here is upon operating results, comparisons of profit and loss statements and their component parts.

The necessity of maintaining some orderly system of book-keeping cannot be over-emphasized. If some method of current record keeping is not employed, it is difficult to compare individual operations with average experience as shown in this study. It is essential that the meanings of terms be checked in such comparisons. For this purpose a list of definitions has been inserted at the beginning of this bulletin.

The component parts of operating ratios are graphically portrayed in the following formula and bar chart:

NET SALES = COST OF GOODS SOLD + GROSS MARGIN



GROSS MARGIN = EXPENSES + NET PROFIT

HIGHLIGHTS AND SUMMARY IN 1946........

- The increase in salary expense of filling stations and garages in recent years has been accompanied by somewhat lower net profit percentages for the year 1946.

- A considerable increase in dollar volume of sales in filling stations has occurred since 1944 and 1945 while garages averaged only slightly higher in 1946 than in the previous year.

- While net profit ratios dropped off slightly, the spurt in dollar volume of business transacted gave proprietors substantially greater returns in dollars.

FILLING STATIONS

1. In 1946, filling stations operated on an average gross margin of 18.2 per cent of net sales, slightly wider than the 1945 gross margin of 17.9 per cent and considerably better than the 16.5 per cent margin of 1944. Increased expenses, especially in salaries paid employees, more than balanced the gain in gross margin to leave a net profit of 6.7 per cent in 1946, a ratio lower than the two previous years. (See Table 1, page 6).

2. While no definite trend was evidenced in 1946 in the ratios of gross margin to net sales over the different size ranges, net profits decreased in percentage with volume of business. Reflecting the trend of salaries, total expense ratios increased with sales volume in both owned and rented stores. (See Table 3, page 12).

3. Filling stations operated from rented premises obtained wider gross margins than did those operating from owned premises. Salaries and occupancy expenses in rented businesses, however, were generally greater to offset the advantage in gross margin. (See Table 3, page 12).

TABLE 1. - OPERATING RESULTS OF FILLING STATIONS - 1944, 1945, 1946

Item	1944	1945	1946
Number of stations reporting	241	515	479
Average net sales .... $	22,904	32,492	42,279
Gross margin	16.5	17.9	18.2
Operating expenses:			
Employees' salaries and wages	3.7	5.0	6.0
Advertising		0.2	0.2
Store supplies		0.7	0.7
Bad debts	5.5	0.1 } 5.8	0.1 } 5.5
Occupancy expense		3.7	3.4
All other expenses		1.1	1.1
Total operating expenses	9.2	10.8	11.5
Net profits before deduction of proprietors' salaries and income tax	7.3	7.1	6.7

(Items expressed as percentages of net sales)

GARAGES

1. Very little change took place in the gross margin ratio of the average garage in the group sampled between 1945 and 1946. The ratios were, 27.7 per cent in 1946, 27.9 in 1945, and 26.7 per cent in 1944. Salary expense increased in 1946 to net a reduced profit of 8.8 per cent compared with one of 9.3 per cent in 1945. (See Table 2, below).

2. The gross margin ratio was irregular in 1946 over the size classes shown. Net profits followed an even trend of decreasing ratio as volume of business expanded. Salaries were much greater proportionately in the larger stores and accounted for a trend in total expense ratio increasing with sales volume. (See Table 4, page 15).

TABLE 2. - OPERATING RESULTS OF GARAGES - 1944, 1945, 1946

Item	1944	1945	1946
Number of garages reporting	165	240	287
Average net sales .... $	25,769	34,525	36,136
Gross margin	26.7	27.9	27.7
Operating expenses:			
Employees' salaries and wages	9.1	10.0	10.9
Advertising		0.3	0.3
Store supplies	8.6	1.0 } 8.6	1.1 } 8.0
Bad debts		0.2	0.3
Occupancy expense		5.1	4.6
All other expenses		2.0	1.7
Total operating expenses	17.7	18.6	18.9
Net profits before deduction of proprietors' salaries and income tax	9.0	9.3	8.8

(Items expressed as percentages of net sales)

OPERATIONS OF FILLING STATIONS AND GARAGES.

GROSS MARGIN AND NET PROFIT

Gross margins in filling stations, while less than the 1938 ratio, have increased moderately since 1941 to a ratio 18.2 per cent of net sales in 1946. Net profits were highest in 1944 and in the post-war period seem to be reverting to the pre-war levels. Garages have disclosed much the same trend in operations. Gross margins were greater in 1946 than in 1944 but were still below the 1938 level. Net profit ratios have decreased from the higher levels obtained in 1944 and 1945. Because of the greater service factor, garages operated on wider margins than did filling stations - 27.7 per cent and 18.2 per cent respectively.

GROSS MARGIN AND NET PROFIT - 1938, 1941, 1944, 1945, 1946

Year	FILLING STATIONS		GARAGES	
	Gross Margin	Net Profit	Gross Margin	Net Profit
1938	21.6	6.2	33.1	5.7
1941	16.9	6.6	(not available)	
1944	16.5	7.3	26.7	9.0
1945	17.9	7.1	27.9	9.3
1946	18.2	6.7	27.7	8.8

AVERAGE SALES, STOCK-SALES RATIOS, STOCK TURNOVER:

The average net sales of filling stations increased considerably from $27,141 in 1938 to $42,279 in 1946. The greatest change took place between 1944 and 1946 where the cause was no doubt partly due to the termination of gasoline and tire rationing. Garages on the other hand, were more moderate in sales growth.

Because of the nature of the main commodity handled, filling stations effected a quick turnover of merchandise - 26.3 times per year as compared to a rate of 11.4 times in garages. Coupled with the accelerated turnover rate, inventories on hand in filling stations at the beginning or end of any year at no time exceeded 4.0 per cent of net sales during the year. The stock held by garages ranged between 5.6 and 7.7 per cent of annual net sales over the years on which such information is available.

AVERAGE SALES, STOCK-SALES RATIOS, STOCK TURNOVER -

1938, 1941, 1944, 1945, 1946

Year	FILLING STATIONS				GARAGES			
	Average net sales	Inventory % of net sales		Stock turnover	Average net sales	Inventory % of net sales		Stock turnover
		Beginning	Ending			Beginning	Ending	
	$				$			
1938 . . .	27,141	3.6	3.6	21.8	25,798	6.6	6.7	[illegible]
1941	29,704	2.7	3.1	28.9	(not available)			
1944 . .	22,904	2.9	3.2	27.5	25,769	6.8	7.7	10.1
1945	32,492	3.2	3.9	23.1	34,525	5.7	6.9	11.4
1946 . . .	42,279	2.8	3.4	26.3	38,136	5.6	7.1	11.4

GENERAL DISCUSSION, TABLES AND CHARTS.

1. FILLING STATIONS

Filling stations are engaged principally in selling gasoline and oil, accessories, tires, and tubes. To remain in this classification, repairs cannot form more than 25 per cent of net sales and gasoline and oil must account for 75 per cent of total merchandise sales. The results of 479 independent unincorporated filling stations were used in this study. When classified by size of business and occupancy, there were too few establishments in owned premises with net sales over $100,000 and in rented premises with sales less than $10,000 to warrant publication.

Trends by Size of Business (Table 3, page 12)

Gross margins in both owned and rented filling stations in 1946 fluctuated between close limits over the size categories shown - from 17.1 to 18.7 per cent of net sales with no definite trend. Net profits in owned stations ranged from 10.9 per cent in the smallest size to 6.9 in the largest and from 9.9 to 4.2 per cent in rented establishments, decreasing in ratio with business volume.

The trend of total expenses, increasing in ratio with volume of sales, reflected the pattern of salaries which, on the average, accounted for half the amount of the total. Inventories, while relatively small when compared to other kinds of business, were in greater dollar volume at the end of 1946 than at the beginning. The rate of stock turnover ranged from 13.4 times in the smallest size filling station to 47.4 times per year in the businesses whose sales were over $100,000.

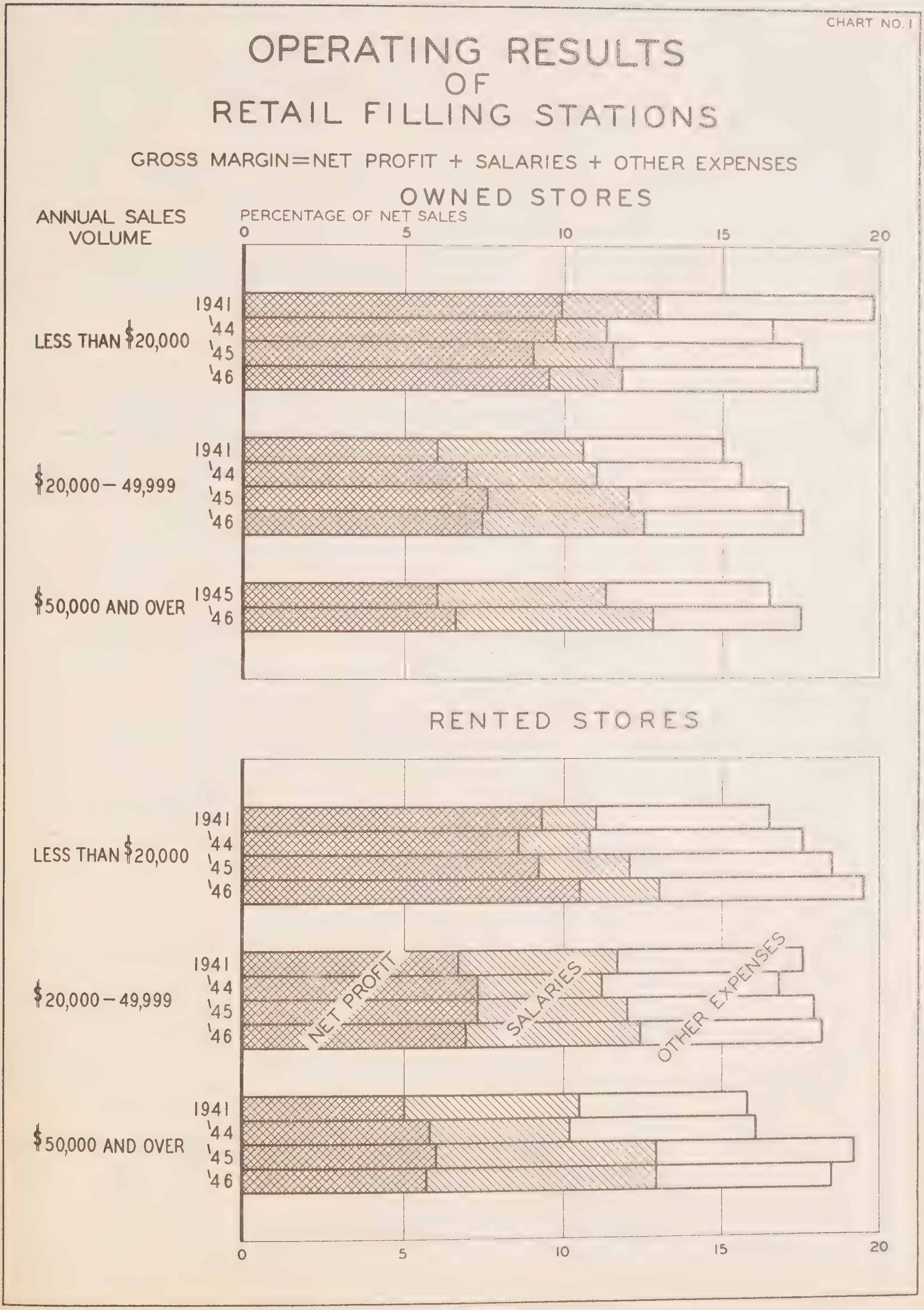


CHART NO. 1
OPERATING RESULTS
OF
RETAIL FILLING STATIONS
GROSS MARGIN=NET PROFIT + SALARIES + OTHER EXPENSES
OWNED STORES
ANNUAL SALES
VOLUME
PERCENTAGE OF NET SALES
0
5
10
15
20
1941
'44
'45
'46
LESS THAN $20,000
$20,000 – 49,999
1945
$50,000 AND OVER
RENTED STORES
NET PROFIT
SALARIES
OTHER EXPENSES

Table 3.--Filling Stations - Operating Results Classified According to Amount [illegible]

Item	Owned Stores: Under $10,000	Owned Stores: $10,000 to $19,999	Owned Stores: $20,000 to $49,999	Owned Stores: $50,000 to $99,999	Owned Stores: $100,000 and Over	Rented Stores: Under $10,000	Rented Stores: $10,000 to $19,999	Rented Stores: $20,000 to $49,999	Rented Stores: $50,000 to $99,999	Rented Stores: $100,000 and Over
Number of stations reporting	20	46	90	31			32	146	89	15
Average net sales $	7,538	15,511	[illegible]	68,268			16,054	34,663	68,579	136,606
Average cost of goods sold $	6,214	12,702	[illegible]	[illegible]			[illegible]	[illegible]	55,770	111,995
Average inventory beginning of year $	408	911	1,195	[illegible]	SAMPLE	SAMPLE	[illegible]	937	1,441	2,061
Average inventory end of year $	521	965	1,519	[illegible]			[illegible]	1,154	1,788	2,663
Stock turnover (times per year)	13.4	13.5	[illegible]	[illegible]			18.6	[illegible]	34.6	47.4
Average net profits $	820	1,428	2,380	[illegible]			1,595	[illegible]	4,255	5,689
Number of working proprietors	21	50	99	[illegible]			35	164	105	16

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Owned Stores: Under $10,000	Owned Stores: $10,000 to $19,999	Owned Stores: $20,000 to $49,999	Owned Stores: $50,000 to $99,999	Owned Stores: $100,000 and Over	Rented Stores: Under $10,000	Rented Stores: $10,000 to $19,999	Rented Stores: $20,000 to $49,999	Rented Stores: $50,000 to $99,999	Rented Stores: $100,000 and Over
Cross margin	17.6	18.1	17.6	17.1			18.7	18.2	18.7	[illegible]
[illegible]										
[illegible]	[illegible]	[illegible]	5.1	5.7			2.6	5.5	6.9	8.1
[illegible]	0.1	[illegible]	[illegible]	0.3			0.2	0.2	0.3	0.2
Store supplies	1.2	1.0	[illegible]	[illegible]			0.6	0.7	0.6	0.5
Bad debts	[illegible]	0.1	0.1	0.1	TOO	TOO	0.1	0.1	0.1	(a)
Taxes and insurance	0.8	1.0	0.7	0.8			0.6	0.5	0.5	0.6
Rent	-	-	-	-			1.9	1.8	1.8	2.3
Light, heat, and power	1.5	1.4	0.9	0.6			1.1	0.8	0.6	0.5
Repairs and maintenance	1.0	0.8	0.7	0.4			0.4	0.3	0.3	0.3
Depreciation	0.8	0.9	0.7	[illegible]			0.3	0.4	0.3	0.3
All other expenses	0.9	0.8	1.2	1.3	SMALL	SMALL	1.0	1.0	1.1	1.0
Total operating expenses	6.7	8.9	[illegible]	[illegible]			8.8	11.3	12.5	13.8
Net profits before deduction of proprietors' salaries and income tax	10.9	9.2	7.4	6.9			9.9	6.9	6.2	4.2

(a) Less than 0.05 per cent.

2. GARAGES

Garages used in this survey are those whose total sales comprise more than 50 per cent merchandise sales, and excludes those "service" garages where receipts from repair work predominate. Dealer garages (selling motor vehicles) are also excluded from this study.

Usable reports were received from 287 such garages. When these were classified according to size of business and occupancy, there were too few, both owned and rented, in the size class of $100,000 sales and over and in rented garages with sales less than $10,000 to allow presentation of results as representative of the size and occupancy group.

Trends by Size of Business (See Table 4, page 15)

A varying amount of service work, within the limits prescribed for this classification, no doubt accounted for some of the irregularity in the trend in gross margin over the different size categories. Net profit ratios were more consistent in trend, decreasing with greater sales volume. Due to a certain amount of service work, salaries paid to employees in garages were greater in ratio to net sales than most other retail businesses. They ranged from 5.9 per cent in the smallest size garage to 12.8 per cent in the largest. Total expenses were naturally affected by this large salary expense and followed the same trend, increasing in ratio with sales volume.

Stocks on hand at the end of the year exceeded in dollar volume those held at the beginning in each size and occupancy class. The rate of turnover increased from 4.9 times in the smallest size class to 18.5 times per year in the largest size garage.

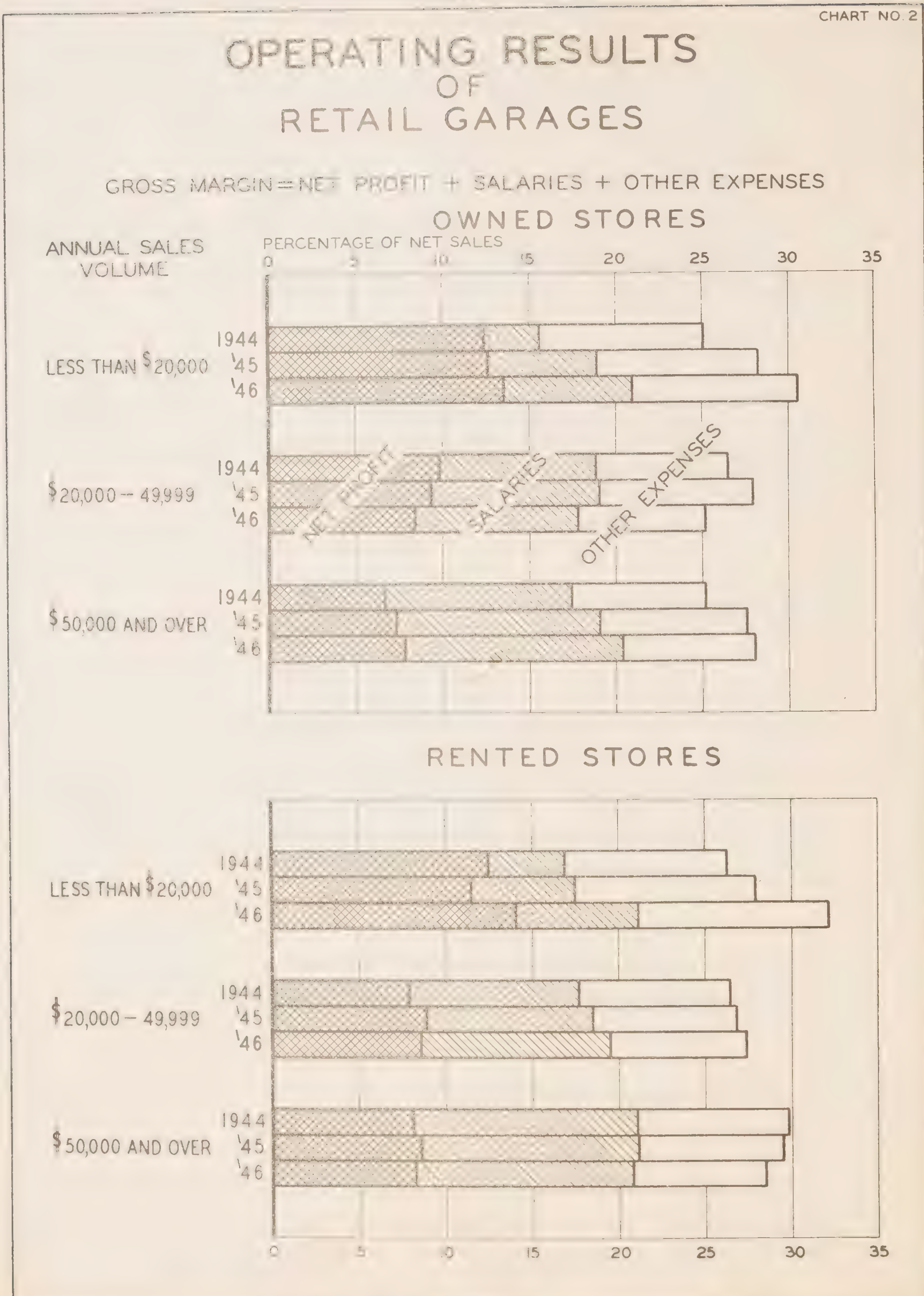


CHART NO. 2
OPERATING RESULTS OF RETAIL GARAGES
GROSS MARGIN = NET PROFIT + SALARIES + OTHER EXPENSES
OWNED STORES
ANNUAL SALES VOLUME
PERCENTAGE OF NET SALES
0
5
10
15
20
25
30
35
LESS THAN $20,000
1944
'45
'46
$20,000 – 49,999
1944
'45
'46
$50,000 AND OVER
1944
'45
'46
NET PROFIT
SALARIES
OTHER EXPENSES
RENTED STORES
LESS THAN $20,000
1944
'45
'46
$20,000 – 49,999
1944
'45
'46
$50,000 AND OVER
1944
'45
'46
0
5
10
15
20
25
30
35

Table 4.--Garages - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES				RENTED STORES			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999
Number of garages reporting	30	47	78	24		13	56	28
Average net sales .... $	6,851	14,747	31,400	68,046		14,575	34,454	67,165
Average cost of goods sold .... $	4,410	10,464	23,472	48,858		9,880	25,021	48,165
Average inventory beginning of year ... $	809	1,282	2,212	3,968	SAMPLE	1,156	1,649	2,328
Average inventory end of year .... $	979	1,608	2,672	4,546		1,666	2,157	2,878
Stock turnover (times per year)	4.9	7.2	9.6	11.5		7.0	13.1	18.5
Average net profits .... $	1,270	1,780	2,643	4,896		2,049	2,975	5,880
Number of working proprietors	34	54	92	32		14	70	41

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Owned: Under $10,000	Owned: $10,000 to $19,999	Owned: $20,000 to $49,999	Owned: $50,000 to $99,999	Rented: Under $10,000	Rented: $10,000 to $19,999	Rented: $20,000 to $49,999	Rented: $50,000 to $99,999
Gross margin	35.6	29.0	25.2	28.2		32.2	27.4	28.5
Operating expenses:								
Employees' salaries and wages	5.9	7.8	9.4	12.8		7.1	10.9	12.0
Advertising	0.4	0.2	0.2	0.2		0.1	0.3	0.3
Store supplies	1.8	1.4	1.1	0.9		1.1	1.1	1.0
Bad debts	0.4	0.4	0.2	0.3	TOO	0.3	0.2	0.3
Taxes and insurance	1.6	1.2	1.1	1.1		1.0	0.8	0.9
Rent	-	-	-	-		2.9	1.6	1.7
Light, heat, and power	2.5	1.5	1.1	1.0		1.3	1.0	1.0
Repairs and maintenance	1.5	1.3	0.9	0.5		1.2	0.5	0.6
Depreciation	1.6	1.6	1.2	1.2		1.2	0.8	0.6
All other expenses	1.4	1.6	1.6	1.5	SAMPLE	1.9	1.6	1.4
Total operating expenses	17.1	17.0	16.8	20.1		18.1	18.8	19.8
Net profits before deduction of proprietors' salaries and income tax	18.5	12.0	8.4	8.1		14.1	8.6	8.7

GOVERNMENT OF CANADA

OPERATING RESULTS

AND

FINANCIAL STRUCTURE

FILLING STATIONS AND GARAGES

1948

A D.B.S. PUBLICATION

DOMINION BUREAU OF STATISTICS

DEPARTMENT OF TRADE AND COMMERCE

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CONTENTS..........

FACSIMILE OF SCHEDULE..........

	DOLLARS OMIT CENTS
4. PROFIT AND LOSS STATEMENT MERCHANDISING STATEMENT	
1. TOTAL NET SALES OR RECEIPTS (INCLUDE ALL MERCHANDISE LESS ALLOWANCES; INCLUDE VALUE OF GOODS SOLD ON A COMMISSION BASIS, MEALS SOLD OR CONSUMED, SERVICE RECEIPTS, AND PROPRIETORS' WITHDRAWALS OF GOODS FOR THEIR OWN USE AT RETAIL PRICES) (DO NOT INCLUDE DIRECT SALES TAXES AND NON-TRADING REVENUES, SUCH AS RECEIPTS, DIVIDENDS, RENT, BAD DEBTS RECOVERED, ETC.)	
2. INVENTORY OF MERCHANDISE FOR RESALE BEGINNING OF YEAR. (EXCLUDE STORE SUPPLIES ON HAND.)	
3. MERCHANDISE PURCHASED FOR RESALE AT INVOICED VALUE, LESS RETURNS, ALLOWANCES, CASH AND TRADE DISCOUNTS. (INCLUDE DUTY, INWARD FREIGHT, EXPRESS AND TRUCKAGE. EXCLUDE STORE SUPPLIES SHOWN UNDER ITEM 16.)	
4. TOTAL, BEGINNING INVENTORY AND MERCHANDISE PURCHASED (ADD ITEMS 2 AND 3)	
5. INVENTORY OF MERCHANDISE FOR RESALE, END OF YEAR. (EXCLUDE STORE SUPPLIES ON HAND)	
6. COST OF MERCHANDISE SOLD (SUBTRACT ITEM 5 FROM ITEM 4)	
7. GROSS TRADING PROFIT OR MARGIN (SUBTRACT ITEM 6 FROM ITEM 1)	

	DOLLARS OMIT CENTS
EXPENSE STATEMENT	
8. SALARIES, WAGES AND COMMISSIONS PAID TO ALL EMPLOYEES, EXCEPT DELIVERY (REPORT FULL AMOUNT BEFORE PAYROLL DEDUCTIONS. DO NOT INCLUDE WITHDRAWALS BY PROPRIETORS OR PARTNERS OF UNINCORPORATED BUSINESS.)	
9. TAXES (INCLUDE BUSINESS, PROPERTY AND WATER TAXES, AND LICENCES. DO NOT INCLUDE INCOME TAX AND DIRECT TAXES COLLECTED BY THE STORE FOR THE GOVERNMENT.)	
10. INSURANCE (INSURANCE PREMIUMS APPLICABLE TO YEAR REFER TO ALL TYPES CARRIED FOR PROTECTION OF THE BUSINESS.)	
11. RENTALS FOR PREMISES USED IN BUSINESS.	
12. HEAT, LIGHT AND POWER USED IN YEAR.	
13. DELIVERY EXPENSE (a) OWN EQUIPMENT — SALARIES	
REPAIRS AND MAINTENANCE	
DEPRECIATION, LICENSES AND INSURANCE	
SUPPLIES USED (GAS, OIL, GREASE)	
(b) TOTAL AMOUNT PAID FOR CONTRACT DELIVERY	
TOTAL DELIVERY EXPENSE	
14. REPAIRS AND MAINTENANCE (EXCLUDE CAPITAL EXPENDITURES)	
15. DEPRECIATION ALLOWANCES (PLEASE SEE FOOTNOTE ON PAGE 1.) IF YOUR FIXED STORE ASSETS HAVE BEEN ENTIRELY DEPRECIATED, ENTER "NIL."	
16. STORE SUPPLIES (WRAPPING PAPER, TWINE, OFFICE SUPPLIES, ETC.)	
17. ADVERTISING	
18. LOSS ON BAD DEBTS DURING THE YEAR — AMOUNT WRITTEN OFF DURING YEAR	
LESS AMOUNT RECOVERED	
TOTAL NET LOSS ON BAD DEBTS	
19. ALL OTHER EXPENSES (TELEPHONE, TELEGRAPH, POSTAGE, BANK CHARGES, INTEREST ON BORROWED MONEY USED IN THE BUSINESS, LEGAL, AUDIT FEES, ETC.) (DO NOT INCLUDE CAPITAL EXPENDITURE OR PROPRIETORS' OR PARTNERS' SALARIES OR WITHDRAWALS.)	
20. TOTAL OPERATING EXPENSES (ADD ITEMS 8 TO 19 INCLUSIVE)	

	DOLLARS OMIT CENTS
NET TRADING PROFIT	
21. NET TRADING PROFIT BEFORE DEDUCTIONS OF PROPRIETORS' OR PARTNERS' SALARIES OR WITHDRAWALS AND BEFORE INCOME TAXES.	

5. WORKING PROPRIETORS, PARTNERS AND PAID EMPLOYEES

A WORKING PROPRIETOR HAS BOTH AN OWNERSHIP INTEREST IN THE BUSINESS AND SPENDS PART OR ALL OF HIS OR HER TIME IN ITS MANAGEMENT.
NOTE: EMPLOYEES WORKING FOR ONLY PART OF THE REGULAR AND NORMAL PAY PERIOD ARE PART-TIME EMPLOYEES. IF BUSINESS IS INCORPORATED, WORKING EXECUTIVES AND OFFICIALS SHOULD BE INCLUDED IN SECTION 4, ITEM 8

1. TOTAL SALARIES OR WITHDRAWALS OF PROPRIETORS OR PARTNERS IN 1948	
2. WHAT WAS THE AVERAGE NUMBER OF PAID EMPLOYEES IN 1948? — FULL-TIME EMPLOYEES	
PART-TIME EMPLOYEES	

6. BALANCE SHEET FOR YEAR 1948

		DOLLARS OMIT CENTS
CURRENT ASSETS	CASH ON HAND OR IN BANK	
	(A) ACCOUNTS AND NOTES RECEIVABLE	
	(B) RESERVE FOR DOUBTFUL ACCOUNTS	
	TOTAL ACCOUNTS RECEIVABLE (PER BALANCE SHEET) (A LESS B)	
	MERCHANDISE INVENTORIES	
	OTHER CURRENT ASSETS (PREPAID EXPENSES, ETC.)	
FIXED ASSETS	(A) LAND, BUILDINGS, FURNITURE, FIXTURES, EQUIPMENT	
	(B) RESERVE FOR DEPRECIATION	
	TOTAL FIXED ASSETS (A LESS B)	
OTHER ASSETS	GOODWILL, DEFERRED CHARGES, SINKING FUNDS	
	TOTAL ASSETS	
LIABILITIES	CURRENT LIABILITIES — ACCOUNTS AND NOTES PAYABLE	
	OTHER LIABILITIES — ACCRUED EXPENSES, PREPAID INCOME	
NET WORTH	CAPITAL STOCK (WHETHER PROPRIETOR'S, PARTNERS' OR SHAREHOLDERS' EQUITY)	
	SURPLUS ACCOUNT	
	TOTAL LIABILITIES AND NET WORTH	

BALANCE SHEET FOR YEAR 1947

		DOLLARS OMIT CENTS
CURRENT ASSETS	CASH ON HAND OR IN BANK	
	(A) ACCOUNTS AND NOTES RECEIVABLE	
	(B) RESERVE FOR DOUBTFUL ACCOUNTS	
	TOTAL ACCOUNTS RECEIVABLE (PER BALANCE SHEET) (A LESS B)	
	MERCHANDISE INVENTORIES	
	OTHER CURRENT ASSETS (PREPAID EXPENSES, ETC.)	
FIXED ASSETS	(A) LAND, BUILDINGS, FURNITURE, FIXTURES, EQUIPMENT	
	(B) RESERVE FOR DEPRECIATION	
	TOTAL FIXED ASSETS (A LESS B)	
OTHER ASSETS	GOODWILL, DEFERRED CHARGES, SINKING FUNDS	
	TOTAL ASSETS	
LIABILITIES	CURRENT LIABILITIES — ACCOUNTS AND NOTES PAYABLE	
	OTHER LIABILITIES — ACCRUED EXPENSES, PREPAID INCOME	
NET WORTH	CAPITAL STOCK (WHETHER PROPRIETOR'S, PARTNERS' OR SHAREHOLDERS' EQUITY)	
	SURPLUS ACCOUNT	
	TOTAL LIABILITIES AND NET WORTH	

7. ANNUAL SALES TRENDS

		DOLLARS OMIT CENTS
IN ORDER TO PROVIDE COMPARABLE FIGURES FROM YEAR TO YEAR, PLEASE STATE YOUR TOTAL SALES. (SALES FOR 1948 SHOULD AGREE WITH AMOUNT GIVEN IN SECTION 4, ITEM 1)	TOTAL SALES FOR 1948	
	TOTAL SALES FOR 1947	

THE INFORMATION GIVEN ON THIS SCHEDULE IS CORRECT AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

NAME OF FIRM ______________________

DATE OF REPORT ______________ SIGNATURE ______________________

PERIOD COVERED FROM ______________________ TO ______________________

DEFINITIONS ....

PROFIT AND LOSS

NET SALES represent the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS PROFIT is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in independent store operations).
Taxes and insurance - business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.
Rentals - monies paid for premises used only in the business.
Heat, light and power expenses - amount paid for these used during the year.
Delivery expense - includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).
Repairs and maintenance - incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).
Depreciation - allowances to cover decreases in the value of fixed store assets.
Store supplies - used in the business during the year - wrapping paper, office supplies.
Advertising
Loss on bad debts - during the year - amount written off less old debts recovered.
Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise sold.

BALANCE SHEET

ASSETS

<u>Cash on hand</u> - or in the bank represents the amount of cash at the end of the year.

<u>Net accounts receivable</u> - are all notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

<u>Merchandise inventories</u> - represents the cost value of merchandise on hand for resale but does not include store supplies on hand.

<u>Other current assets</u> include assets which may be converted into cash, if necessary, within a reasonably short time, such as prepaid insurance, office and store supplies, Dominion of Canada Bonds.

<u>Fixed assets (net)</u> - is the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation.

<u>Other assets</u> - include deferred charges - items of expenditure from which future benefits are expected - intangibles such as goodwill, investments of a permanent nature not readily converted into cash.

LIABILITIES AND NET WORTH

<u>Current liabilities</u> - are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

<u>Other liabilities</u> - (includes fixed liabilities) - mortgages, mortgage bonds and long-term notes, accrued expenses such as taxes or rent due but not yet paid, and prepaid or deferred income - money received in advance for which goods or services have not yet been given.

<u>Capital stock</u> - as applicable to incorporated companies represents the investment account of the stockholder in the capital shares of the corporation and does not exceed the amount authorized.

<u>Surplus</u> - as applicable to corporations includes earned surplus from operating profits, capital surplus, from premiums received on the sale of capital stock, and surplus reserves.

<u>Net worth</u> - is the difference between total assets and total liabilities and represents owners' equity in the business. This is composed of capital stock and surplus.

Note: In unincorporated firms capital and surplus are not shown separately because the majority of reports from these firms did not separate surplus from capital. For practical purposes, then, net worth represents the capital of unincorporated businesses.

LIST OF ALLIED PUBLICATIONS

ANNUAL:

- Food Chains in Canada
- Variety Chains in Canada
- Drug Chains in Canada
- Retail Chains in Canada
- Retail Trade

QUARTERLY:

- Retail Consumer Credit

MONTHLY:

- Department Store Sales and Inventories
- Retail Trade
- Wholesale Trade

SPECIAL:

- Operating Results Series
  - Independent Stores - 5 bulletins, 20 trades (1948 survey includes Balance Sheet data)
  - Wholesalers - 3 bulletins, 10 trades
  - Chain Stores - 3 bulletins, 10 trades

The above publications may be obtained by writing to the

Dominion Bureau of Statistics, Ottawa

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES

INTRODUCTION

This report, presenting operating results of independent unincorporated filling stations and garages, 1948, continues the series of bulletins published in 1944, 1945 and 1946. The survey is based upon operating statements contributed by a sample of firms throughout the country.

An important addition to the 1948 studies will be found in the analysis of Balance Sheet data of the responding firms. This provides information on the financial position of the various trades by size and occupancy groups. From this additional information, many useful ratios are made available such as those between balance sheet items, known as static ratios, and those obtained by relating the operating figures, known as velocity ratios. Previous bulletins have been prepared for the purpose of presenting average expense and profit ratios on the year's operations which might be used by merchants as a comparison to their own individual results.

These studies do not attempt to deal with methods of operation or their possible improvement, but present operating and financial statement 'averages' for independent retail trades by size and occupancy classes. No regional analysis has been made, the sample having been designed to produce national averages only.

Only businesses of single proprietorship and partnership have been included in this study. In the profit and loss section the salaries or withdrawals of proprietors remained a part of net profit. On the balance sheet section of the questionnaire, the majority of the firms reported the two items of capital and surplus as one amount - net worth. This item, then, represents owners' equity, in the form of both original capital investment and earned surplus.

Chain stores are dealt with in a separate survey alternated each year with the studies on independent stores.

USE OF OPERATING AND FINANCIAL RATIOS

An orderly system of bookkeeping is essential if the best use is to be made of the ratios in this report. Reference should also be made to the list of definitions provided on pages 4 and 5 of this bulletin. Following are a few brief comments on both the Profit and Loss Statement and Balance Sheet results, illustrating the use and purposes of this study.

PROFIT AND LOSS

The retail merchant, reviewing his year's operations and planning improvements and economies in certain phases of his activities may become aware of the following important questions:

1. What is an adequate profit for his line of business?

2. What amount of inventory should be carried and how many times a year should it be turned over?

3. What proportion of sales should be paid out in wages to employees?

4. What part of sales should be spent on other operating expenses?

This bulletin presents 'average' results for comparison purposes. All major profit and expense items are expressed as percentages of net sales. Where there was a sufficient number of responding firms, this information was broken down into five sales-size classes for owned and rented stores.

BALANCE SHEET

The financial effects of changes in operating plans and policies may be observed by comparison of balance sheets for succeeding years. As this is the first study made by this Bureau on Balance Sheet data we can present only the item averages as they stood at the end of 1948. These averages and ratios, however, should be of considerable value as an indication of what a merchant's own financial position might be. Where possible, a division has been made by age of business within size and occupancy groups. An analysis of financial statements should produce the following information.

1. Ability to meet current and long-term obligations.

2. Owners' net worth or equity in the business.

3. Potential productivity of the business.

Important ratios from the Balance Sheet are:

1. Current assets to current liabilities - often called the "current ratio". This ratio indicates the ability of the business to meet current obligations out of current assets. Its changes indicate whether a business is gaining or losing working capital.

2. Current assets to fixed assets: Fixed assets should not be expanded at the expense of current assets needed for operating expenses and inventory purchases. Decreases in this ratio may indicate any tendency toward over-investment in fixed assets.

3. Net quick assets to net worth: The ratio of net quick assets (current assets minus current liabilities - also called working capital) to net worth discloses how much of proprietors' capital or net worth is in the form of quickly convertible assets free from current obligation.

4. Liabilities to net worth shows the relationship between total debt and owned capital. This ratio will fluctuate at times when seasonal buying creates higher liabilities while net worth remains uniform.

Ratios of particular use in dealing with other aspects of business may also be calculated from figures in this report. A division between capital and surplus was not feasible for businesses of individual ownership or partnerships.

VELOCITY RATIOS. These are ratios between certain profit and loss and balance sheet items.

1. Cost of merchandise sold to inventories is a fairly uniform ratio and is a good test of efficiency. A decrease in this ratio will indicate an overstocked condition. Because beginning and year-end inventories are shown in the profit and loss statement, this ratio or rate of stock turnover is calculated from the average of these two inventories and is shown with the profit and loss tables in this bulletin.

2. Sales to net worth, or in the case of incorporated firms to owned capital, determines the relative use of capital in conducting business. After a certain ratio has been established to govern employment of capital for a given volume of sales, any fluctuation will indicate to what extent capital is being accumulated beyond profitable investment or vice versa.

3. The ratio of sales to fixed assets measures the relationship between sales and the investment in fixed assets to produce such sales. This ratio is of lesser significance in the rented class where there is a smaller investment in equipment than in owned stores. Fluctuation in prices must be considered in comparing this ratio over any long period, because fixed assets are not re-valued as prices of goods sold increase or decrease.

4. Net profit to net worth ratio shows the relationship between net profit and the proprietors' equity in the business.

Other velocity ratios may be calculated, one of which is "accounts receivable to sales". This ratio is of value only where the amount of credit sales is known. This study did not ask for this information, but the quarterly series "Retail Consumer Credit" published by the Merchandising and Services Section of the Dominion Bureau of Statistics contains information on this subject. Cash and credit sales, and accounts receivable subdivided into instalment and charge accounts are published in the form of indexes for 16 trades. Basic data to make comparisons may be taken from tabulations of the 1941 Census of Merchandising and Services Establishments.

Newfoundland was not included in this survey.

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The assistance and guidance of the CANADIAN RETAIL FEDERATION throughout this survey is gratefully acknowledged.

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COMPARISON OF MAIN ITEMS BY TRADES.

PROFIT AND LOSS

Garages obtained greater gross profits and had greater operating expenses than filling stations in 1948. Salaries and wages of garages at 10.4 per cent of net sales reflect a certain amount of repaid work as compared to 7 per cent paid out as wages in filling stations. Operating expenses of 18.4 per cent in 1948 reduced the gross profit of garages to 7.8 per cent. Filling station expenses of 12.8 per cent resulted in a net profit of 6.2 per cent. Because of the greater average dollar volume of sales by filling stations, these ratios represented very similar average net profit values - $3,398 and $3,343 respectively.

As would be expected, filling stations maintained small stocks and therefore showed a very high rate of stock turnover, 26.3 times in 1946 and 20.9 times in 1948. Rate of stock turn in garages for the same years was 11.4 and 9.2 times per year respectively.

OPERATING RESULTS OF FILLING STATIONS AND GARAGES, 1946 and 1948

Item	1946		1948	
	Filling Stations	Garages	Filling Stations	Garages
Average sales .... $	42,279	36,136	53,912	43,567
Average beginning inventory .. $	1,184	2,024	1,925	3,414
Average ending inventory ..... $	1,437	2,566	2,248	3,589
Stock turnover	26.3	11.4	20.9	9.2
Gross profit	18.2	27.7	19.0	26.2
Salaries and wages	6.0	10.9	7.0	10.4
Occupancy	3.4	4.6	3.9	4.6
All other expenses	2.1	3.4	1.9	3.4
Net profit	6.7	8.8	6.2	7.8

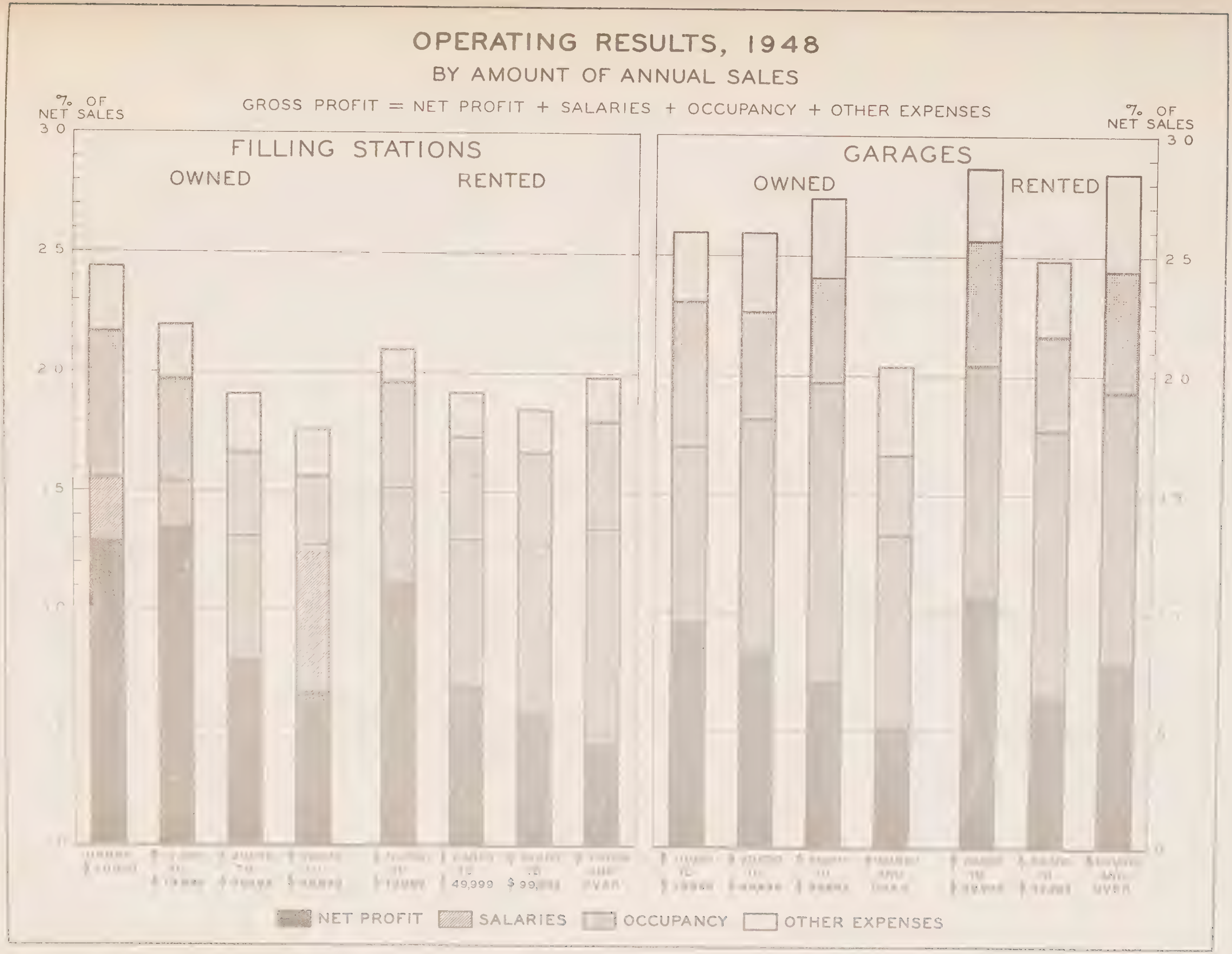
BALANCE SHEET

Owned and rented businesses were separated for the tabulation of balance sheet data because of the greater amount of fixed assets resulting from the real estate investment of 'owned' businesses. Both owned and rented groups in the two trades had more than $2.00 current assets to meet every $1.00 of current liability, with filling stations in the more favourable position. Owned and rented filling stations had 28¢ and 30¢ total liabilities respectively for every $1.00 net worth, while garages had higher amounts of 41¢ and 37¢ respectively.

In the owned class, filling stations and garages produced an almost similar amount of sales for each dollar of fixed asset investment ($4.99 and $4.93). Rented garages had more capital invested in equipment than did rented filling stations to produce $14.77 sales per dollar of fixed assets compared with $35.17 by the latter.

FINANCIAL AND OPERATING RATIOS OF FILLING STATIONS AND GARAGES, DEC. 31, 1948

Ratio	OWNED		RENTED	
	Filling Stations	Garages	Filling Stations	Garages
Current assets to current liabilities	3.17	2.43	3.66	3.22
Current assets to fixed assets	.69	.90	3.17	2.24
Net quick assets to net worth	.35	.39	.69	.63
Liabilities to net worth	.28	.41	.30	.37
Sales to net worth	3.74	3.58	10.49	5.99
Sales to fixed assets	4.99	4.93	35.17	14.77
Net profit to net worth	.27	.26	.58	.45


OPERATING RESULTS, 1948
BY AMOUNT OF ANNUAL SALES
GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + OTHER EXPENSES
% OF NET SALES
FILLING STATIONS
OWNED
RENTED
GARAGES
OWNED
RENTED
30
25
20
15
10
0
49,999
$ 99,999
NET PROFIT
SALARIES
OCCUPANCY
OTHER EXPENSES

SUMMARIES AND TABLES

1. FILLING STATIONS

Filling stations are principally engaged in selling gasoline and oil, accessories, tires and tubes. To remain in this classification, repairs must not form more than 25 per cent of net sales and gasoline and oil must account for 75 per cent of merchandise sales.

In 1948, reports properly completed for profit and loss data were received from 373 independent unincorporated filling stations. When separated into size of business groups for tabulation there were too few in the owned class with sales of $100,000 or more, and in the rented class with sales of less than $10,000, to permit publication of results.

Information on the balance sheet for the three largest size-classes was received from 204 firms. The sample of respondents in the owned class with sales of $100,000 or over was too small to warrant tabulation of results. The operations and financial structure of filling stations are summarized below:

1. While filling stations operated on greater gross profits in 1948 than in previous years a proportionately greater total operating expense overbalanced the gain in margin to give a smaller net profit in relation to sales. From 1945 to 1948 salaries and wages paid increased from 5.0 per cent to 7.0 per cent of net sales. Net profit dropped from 7.1 per cent to 6.2 per cent. Higher average sales and higher expenses proportionately were evidenced in 1948. (Table 1, page 15.)

2. In 1948, the ratio of gross profit generally decreased in the larger-sized stations, and net profit ratios also showed a downward trend as the volume of business expanded. The much higher proportion of sales spent on salaries and wages by the larger firms was approximately counterbalanced by comparatively smaller outlays for other expense items, particularly in occupied owned establishments. (Table 2, page 16.)

3. All size groups of both owned and rented stations had favourable ratios of current assets to current liabilities at the end of 1948. Owned businesses had an average of $3.17 current assets to meet every $1.00 of current liabilities and in the rented class this average was slightly greater at $3.66. For every dollar net worth there was only 28¢ and 30¢ total obligation for owned and rented filling stations respectively.

In both occupancy categories the larger sizes of business transacted more sales per dollar of net worth and utilized fixed assets in producing sales to a higher degree. Owned stations averaged $4.99 sales for every $1.00 of fixed asset investment. In rented stations, with no real estate investment this ratio was 35.17. (Table 3, page 17.)

Table 1. - Operating Results of Filling Stations - 1945, 1946, 1948

Item	1945	1946	1948
Number of stations reporting .... No.	515	479	373
Average net sales .... $	32,492	42,279	53,912
Gross margin	17.9	18.2	19.0
Operating expenses:			
Employees' salaries and wages	5.0	6.0	7.0
Advertising	0.2	0.2	0.2
Store supplies	0.7	0.7	0.4
Occupancy	3.7	3.4	3.9
all other expenses	1.2	1.2	1.3
Total operating expenses	10.8	11.5	12.8
Net profit before deduction of proprietor's salaries and income tax	7.1	6.7	6.2

(Items expressed as per cent of net sales).

Table 2.--Filling Stations - Operating Results Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED				RENTED			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stations reporting	8	27	58	29	14	102	108	23
Average net sales per station ... $	6,372	14,619	[illegible]	72,108	16,122	37,229	69,531	148,883
Average cost of goods sold ... $	4,819	11,328	36,652	59,395	12,731	30,096	56,658	119,417
Average beginning inventory ... $	710	818	2,086	2,837	731	1,235	2,067	4,186
Average inventory, end of year ... $	997	1,361	2,146	3,290	897	1,540	2,254	5,110
Stock turnover (times per year)	6.40	10.41	12.64	19.20	15.64	21.70	26.23	25.87
PROFIT AND LOSS DATA								
(Per cent of net sales)								
Gross profit	24.39	21.97	19.12	17.62	21.03	19.16	18.51	19.76
Operating expenses:								
Employees' salaries and wages (except delivery)	2.61	1.91	5.34	6.25	4.01	6.16	7.12	9.16
Taxes	.96	.53	.56	.50	.27	.29	.32	.32
Insurance	.88	.29	.42	.35	.28	.24	.24	.38
Rent	-	-	-	-	2.11	2.02	2.05	2.36
Heat, light and power	2.05	1.47	.59	.72	.98	.75	.58	.55
Delivery	1.13	.14	.28	.16	.03	.16	.19	.19
Repairs and maintenance	1.22	.65	.61	.57	.37	.35	.33	.41
Depreciation allowances	.91	1.27	.95	.78	.39	.44	.34	.33
Store supplies	.19	.73	.62	.35	.53	.45	.43	.31
Advertising	.19	.11	.20	.21	.11	.24	.28	.23
Bad debts - written off	.59	.12	.11	.18	.01	.07	.06	.11
(Less) amount recovered	.03	-	-	-	-	-	-	-
Net bad debt loss	.56	.12	.11	.18	.01	.07	.06	.11
All other expenses	.73	1.13	1.18	1.10	.76	1.19	.92	1.05
Total operating expenses	11.43	8.45	11.20	11.17	9.85	12.36	12.86	15.50
Net trading profit before deduction of proprietors' salaries and income tax	12.94	13.52	7.92	6.45	11.18	6.80	5.65	4.26

Table 3.--Filling Stations - Financial Structure by Size and Occupancy Basis, December 31, 1948

Item (*) (Average per station)	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	OWNED Total	RENTED $20,000 to $49,999	RENTED $50,000 to $99,999	RENTED $100,000 and Over	RENTED Total
Assets							
Current assets:							
Cash on hand or in bank	1,116	3,525	1,888	1,025	1,808	2,219	1,603
Net accounts receivable	953	2,243	1,367	1,339	1,782	2,421	1,715
Merchandise inventory	2,231	3,546	2,653	1,837	2,349	4,666	2,459
Other current assets	166	935	413	247	538	879	483
Total current assets	4,466	10,249	6,321	4,448	6,477	10,185	6,260
Net fixed assets	7,936	11,759	9,162	1,504	1,845	3,878	1,977
Other assets	155	287	198	381	384	127	352
Total assets	12,557	22,295	15,681	6,333	8,706	14,190	8,589
Liabilities and Net Worth:							
Current liabilities	1,253	3,562	1,993	1,321	1,558	3,490	1,711
Other liabilities	1,158	2,051	1,445	93	358	205	253
Total liabilities	2,411	5,613	3,438	1,414	1,916	3,695	1,964
Net Worth	10,146	16,682	12,243	4,919	6,790	10,495	6,625
Total Liabilities and Net Worth	12,557	22,295	15,681	6,333	8,706	14,190	8,589
Sales	32,975	72,769	45,739	37,516	70,695	151,204	69,525
Net Profit	2,612	4,694	3,279	2,551	3,994	6,441	3,818
Ratios:							
Current assets to current liabilities	3.56	2.88	3.17	3.37	4.16	2.92	3.66
Current assets to fixed assets	.56	.87	.69	2.96	3.51	2.63	3.17
Net quick assets to net worth	.32	.40	.35	.64	.72	.64	.69
Liabilities to net worth	.24	.34	.28	.29	.28	.35	.30
Sales to net worth	3.25	4.36	3.74	7.53	10.41	14.41	10.49
Sales to fixed assets	4.16	6.19	4.99	24.94	38.33	38.99	35.17
Net profit to net worth	.26	.28	.27	.52	.59	.61	.58

(*) See definitions on page 5 for more detail description.

2. GARAGES

Garages used in this survey were those whose total sales comprised more than 50 per cent merchandise sales, but which operated a repair department. "Service" garages where repair work predominated were excluded. Dealer garages (selling motor vehicles) were also excluded from this study.

Reports properly completed for profit and loss data were received from 174 garages. These were separated into sales-size groups within the two occupancy classes. There were too few reports received in the owned class with sales less than $10,000 and in the rented class under $20,000 to permit publication of results. The results of the largest sized group represents the average of only 7 firms in each occupancy group. The smallness of the sample should be taken into accounts when interpreting the results.

Balance sheet data are based on 90 satisfactory reports and are confined to the largest size groups. Only a few reports were received from firms with sales over $100,000 and results, while not shown separately, are included in the total for each occupancy class. The operating results and financial structure of garages are summarized as follows:

1. A decline in the gross profit ratio of garages since 1945 has been accompanied by a similar drop in net profit percentages. Operating expenses remained quite constant at 18.6 per cent of sales in 1945, 18.9 per cent in 1946 and 18.4 per cent in 1948. In common with most other trades, average sales increased in 1948 - to $43,567 from $34,525 in 1945. (Table 4, page 19.)

2. In 1948 there was no definite trend in gross profit ratio by size of business. With the exception of owned garages with sales of $100,000 or over, there was an upward movement in the ratio of operating expenses as the size of business increased and a corresponding decrease in the ratio of net profit. The rate of stock turnover was more rapid in rented garages than in owned and over all size and occupancy groups ranged from 6.10 to 14.31 times per year. (Table 5, page 20.)

3. All size and occupancy groups for which balance sheet data are shown reported favourable current ratios with more than $2.00 current assets to meet every $1.00 of current liability. In all classes net worth was less than 50 per cent of total liability. Every dollar of net worth produced $3.58 sales in owned garages and $5.99 in rented garages. (Table 6, page 21.)

Table 4. - Operating Results of Garages - 1945, 1946, 1948

Item	1945	1946	1948
Number of garages reporting .... No.	240	287	174
Average net sales .... $	34,525	36,136	43,567
Gross profit	27.9	27.7	26.2
Operating expenses:			
Employees' salaries and wages	10.0	10.9	10.4
Advertising	0.3	0.3	0.3
Store supplies	1.0	1.1	0.7
Occupancy	5.1	4.6	4.6
All other expenses	2.2	2.0	2.4
Total operating expenses	18.6	18.9	18.4
Net profit before deduction of proprietor's salaries and income tax	9.3	8.8	7.8

(Items expressed as percentage of net sales).

Table 5.--Garages - Operating Results Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED				RENTED		
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of garages reporting	19	46	25	7	23	22	7
Average net sales per garage $	19,081	31,766	62,760	117,602	31,707	66,771	128,788
Average cost of goods sold $	14,124	23,507	45,543	93,575	22,601	50,244	92,150
Average beginning inventory $	2,332	3,022	4,179	10,320	1,923	3,285	5,117
Average inventory, end of year $	2,300	3,425	5,197	10,464	1,934	3,751	7,764
Stock turnover (times per year)	6.10	7.29	9.72	9.01	11.72	14.28	14.31
PROFIT AND LOSS DATA (Per cent of net sales)							
Gross profit	25.98	26.00	27.43	20.43	28.72	24.75	28.45
Operating expenses:							
Employees' salaries and wages (except delivery)	7.42	9.75	12.63	8.15	9.65	11.34	11.45
Taxes	.99	.58	.64	.64	.36	.25	.27
Insurance	.74	.52	.68	.63	.43	.35	.46
Rent	-	-	-	-	1.79	1.59	1.30
Heat, light and power	1.38	1.19	1.06	.71	1.18	.77	.90
Delivery	.30	.24	.37	.24	.53	.24	.17
Repairs and maintenance	.83	.93	.75	.64	.61	.43	1.17
Depreciation allowances	2.15	1.29	1.27	.74	.90	.61	1.01
Store supplies	.45	.69	.50	.70	.52	.71	.91
Advertising	.29	.21	.30	.29	.24	.39	.78
Bad debts - written off	.08	.11	.39	.33	.20	.14	.77
(Less) amount recovered	-	-	.01	-	-	.03	-
Net bad debt loss	.08	.11	.38	.33	.20	.11	.77
All other expenses	1.75	2.12	1.74	2.26	1.60	1.57	1.44
Total operating expenses	16.38	17.63	20.32	15.33	18.01	18.36	20.63
Net trading profit before deduction of proprietors' salaries and income tax	9.60	8.37	7.11	5.10	10.71	6.39	7.82

Table 6.--Financial Structure by Size and Occupancy Basis, December 31, 1948

Item (x) (Average per garage)	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	OWNED Total	RENTED $20,000 to $49,999	RENTED $50,000 to $99,999	RENTED Total
Assets						
Current assets:						
Cash on hand or in bank	971	1,941	1,364	1,497	2,592	2,080
Net accounts receivable	1,632	3,820	2,605	1,253	3,208	2,849
Merchandise inventory	3,431	4,641	4,419	2,235	3,487	3,777
Other current assets	852	91	556	443	214	277
Total current assets	6,886	10,493	8,944	5,428	9,501	8,983
Net fixed assets	8,137	11,496	9,884	1,433	4,046	4,012
Other assets	379	576	421	357	821	557
Total assets	15,402	22,565	19,249	7,218	14,368	13,552
Liabilities and Net Worth:						
Current liabilities	3,094	5,978	3,678	965	2,820	2,788
Other liabilities	1,228	3,383	1,958	249	1,411	872
Total liabilities	4,322	7,361	5,636	1,214	4,231	3,660
Net Worth	11,080	15,204	13,613	6,004	10,137	9,892
Total Liabilities and Net Worth	15,402	22,565	19,249	7,218	14,368	13,552
Sales	32,254	60,618	48,740	26,788	66,917	59,240
Net Profit	2,700	4,310	3,520	2,869	4,276	4,434
Ratios:						
Current assets to current liabilities	2.23	2.64	2.43	5.62	3.37	3.22
Current assets to fixed assets	.85	.91	.90	3.79	2.35	2.24
Net quick assets to net worth	.34	.43	.39	.74	.66	.63
Liabilities to net worth	.39	.48	.41	.20	.42	.37
Sales to net worth	2.91	3.99	3.58	4.46	6.60	5.99
Sales to fixed assets	3.96	5.27	4.93	18.69	16.54	14.77
Net profit to net worth	.24	.28	.26	.48	.42	.45

(x) See definitions on page 5, for more detail description.

-408

DOMINION BUREAU OF STATISTICS — DEPARTMENT OF TRADE AND COMMERCE
CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES 1950

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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

A Wholesale Trade, 25¢.
* B Operating Results of Food Wholesalers, 25¢.
* C Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
* D Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

E General Review, 25¢.
F Retail Trade, 50¢.
G Retail Chain Stores, 50¢.
* H Operating Results of Chain Food Stores, 25¢.
* I Operating Results of Chain Clothing Stores, 25¢.
* J Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
K Operating Results of Retail Food Stores, 25¢.
L Operating Results of Retail Clothing Stores, 25¢.
M Operating Results of Retail Hardware, Furniture, Appliance, and Radio Stores, 25¢.
N Operating Results of Filling Stations and Garages, 25¢.
O Operating Results of Miscellaneous Retail Stores, 25¢.
P Retail Consumer Credit, 25¢.

Part III — Services and Special Fields

Q Laundries, Cleaners and Dyers, 25¢.
R Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
S Hotels, 25¢.
T Sales Financing, 25¢.
U Farm Implement and Equipment Sales, 25¢.
V New Motor Vehicle Sales and Motor Vehicle Financing, 25¢.

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1950.

TABLE OF CONTENTS

DEFINITIONS

Profit and Loss

Net sales — represent the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Gross profit — is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

Operating expenses — are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) —paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in unicorporated store operations).

Taxes and Insurance — business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals — monies paid for premises used only in the business.

Heat, light and power expenses — amount paid for these used during the year.

Delivery expense — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance — incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).

Depreciation — allowances to cover decreases in the value of fixed store assets.

Store supplies — used in the business during the year — wrapping paper, office supplies, etc.

Advertising

Loss on bad debts — during the year — amount written off less old debts recovered.

Other expenses — telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

Net Profit — is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals before income tax deductions.

Stock turnover — is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise sold.

DEFINITIONS

Balance Sheet

Assets

Cash on hand — and in the bank represents the amount of cash at the end of the year.

Net accounts receivable — are all notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — represents the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary, within a reasonably short time, such as prepaid insurance, office and store supplies, Dominion of Canada Bonds.

Fixed assets (net) — is the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — Investments of a permanent nature not readily converted into cash and intangibles such as goodwill.

Liabilities and Net Worth

Current liabilities — are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes, accrued expenses such as taxes or rent due but not yet paid, and prepaid or deferred income.

Capital stock — applicable to incorporated companies, represents the investment account of the stockholders in the capital shares of the corporation and does not exceed the amount authorized.

Surplus — applicable to corporations, includes earned surplus from operating profits, capital surplus from premiums received on the sale of capital stock, and surplus reserves.

Net worth — is the difference between total assets and total liabilities. This is composed of stock and surplus in the case of incorporated companies and in unincorporated businesses represents the proprietor's or partner's equity including undivided profits.

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES 1950

INTRODUCTION

A yardstick of performance is a useful gauge in assessing the success of endeavour. When that yardstick takes the form of a statistical summary of the average operating experience of retail stores, it may not constitute an ideal pattern of operations which all retailers should set as a goal, but it does represent a reasonably useful standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

The average results shown are Dominion averages for the various trades. The average gross profit of a trade for instance, must not be interpreted as the gross profit of all commodities handled by that trade because different commodities have widely varying mark-ups. Likewise, the averages are not necessarily correct for local interpretation as the sample was designed to produce national averages.

There is a growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown an interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more.

There are many reasons for this, some of them associated with the natural imcompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and of the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and provision be made to check against some such standard performance as these publications provide.

This report deals with independent establishments, results for which are shown for unincorporated businesses.

The trades covered are

1. Filling stations
2. Garages

There are analyses of

1. Profit and loss statements
2. Balance sheet summaries

Profit and loss data are shown for owned and rented businesses separately, and for various sales-size classes.

Balance sheet data, which was added in 1948, is continued in this 1950 study. This information is presented by size and occupancy groups for stores with $20,000 or more annual net sales. Where possible, a further breakdown has been made between businesses in operation less than 10 years and those in business 10 years or more. An important change from the 1948 data is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between fixed assets and the sales produced by those assets than was possible when all fixed assets of the proprietor were reported as one item.

The same basic sample of firms is used in this series although the sample varies slightly in each survey year. There is, however, a high degree of continuity among the respondents and it is believed that no serious distortion arises out of any change in responding firms. For the most part, successive surveys have provided an increasing response rate, an encouraging feature from the standpoint of accuracy and, it is believed, an indication of the growing realization on the part of merchants of the value of these statistics.

Filling Stations

Filling stations are principally engaged in selling gasoline and oil, accessories, tires and batteries. To remain in this classification, repairs must not form more than 25 per cent of net sales and gasoline and oil must account for 75 per cent of merchandise sales.

Reports properly completed for 1950 profit and loss data were received from 358 filling stations with too few in the size class "under $10,000 sales" to permit publication of results. Balance sheet information was tabulated for stores with sales of $20,000 and over for which 219 satisfactory reports were received.

Some of the more important features of the 1950 operations of filling stations and of their financial structure at the end of the year are summarized below·

Very little change occurred in the 1950 operations of filling stations from the 1948 experiences.

Gross profit decreased in ratio to sales from 19.0% to 18.7% in 1950 but operating expenses did not increase.

Gross profit as a percentage of net sales generally decreased in the larger sizes of business and ranged from 20.70% of net sales in the smallest size rented station to 15.35% in the largest class of owned establishment.

Net profits ranged from 13.41% of net sales in the smallest to 4.27% in the largest sales-size class of rented filling stations.

Current assets amounted to more than twice the total of current liabilities at the end of 1950 in both the owned and rented category

The operator of the owned filling station had sales of $7.21 for every $1 fixed assets used in the business. The "rented" proprietor, with less fixed asset investment, had sales of $39.15 for every $1.00 of fixed assets used in the business.

Financial Ratios of Filling Stations at Dec. 31, 1950

Ratio	Owned	Rented
Current assets to current liabilities	2.36	3.33
Current assets to fixed assets	.71	2.75
Net quick assets to net worth	.34	.67
Sales to fixed assets used in the business	7.21	39.15
Liabilities to net worth	.46	.39

Operating Results of Filling Stations 1948 and 1950 Compared

Item	1948	1950
Number of stations reporting	373	358
Average net sales	$53,912	$63,150
Profit and Loss Data (Percentage of net sales)		
Gross profit	18.97	18.66
Operating expenses:		
Employees' salaries	6.95	6.78
Occupancy	3.85	3.86
Store supplies	.43	.31
Advertising	.24	.24
All other expenses	1.33	1.46
Total operating expenses	**12.80**	**12.65**
Net profit before deduction of proprietors' salaries and income tax	6.17	6.01

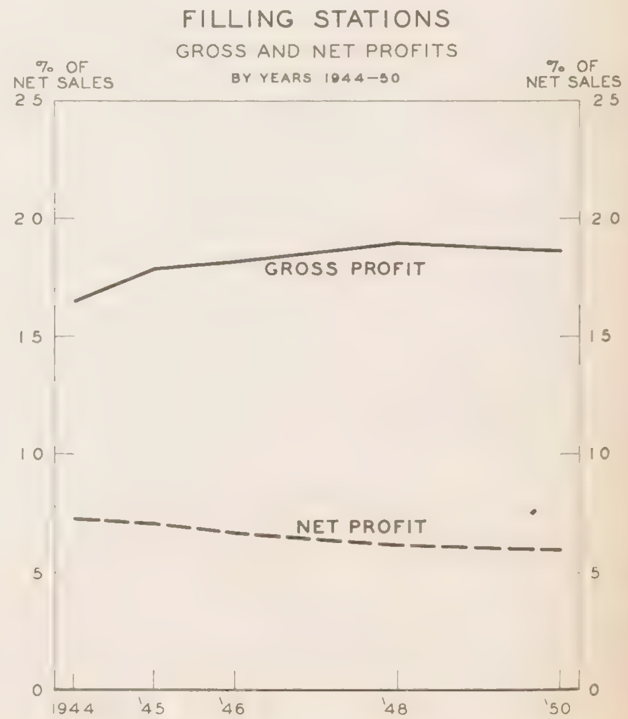

TABLE 1. Filling Stations—Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stations reporting	24	46	31	9	8	80	118	37
Average net sales per station $	14,275	31,126	71,713	150,450	16,968	35,588	70,909	158,331
Average cost of goods sold $	11,760	25,930	59,664	127,344	13,455	28,968	57,076	127,841
Average beginning inventory $	917	1,572	3,944	4,450	658	1,360	1,974	4,054
Average inventory, end of year $	968	1,691	4,538	4,932	732	1,588	2,322	5,342
Stock turnover (times per year) $	12.48	15.90	14.07	27.15	19.36	19.65	26.57	27.21
Profit and Loss Data (Per cent of net sales)								
Gross profit	17.62	16.70	16.80	15.35	20.70	18.60	19.51	19.26
Operating expenses:								
Employees' salaries and wages (except delivery)	.94	4.43	5.18	6.06	1.78	4.98	7.00	9.18
Taxes	.62	.62	.52	.41	.32	.28	.31	.29
Insurance	.40	.31	.38	.29	.35	.25	.21	.29
Rent	—	—	—	—	2.27	2.09	2.13	2.20
Heat, light and power	1.61	.91	.78	.55	.91	.76	.60	.56
Delivery	.32	.25	.74	.09	—	.32	.17	.21
Repairs and maintenance	.70	.53	.54	.25	.13	.28	.32	.26
Depreciation allowances	1.05	1.03	1.03	1.42	.24	.58	.44	.37
Store supplies	.23	.23	.26	.16	.23	.29	.32	.37
Advertising	.13	.21	.23	.33	.22	.18	.25	.24
Bad debts—written off	.07	.07	.19	—	.23	.08	.08	.18
(Less) amount recovered	—	—	.01	—	.01	—	—	.01
Net bad debt loss	.07	.07	.18	—	.22	.08	.08	.17
All other expenses	.98	1.28	1.23	1.41	.62	.99	1.17	.85
Total operating expenses	**7.05**	**9.87**	**11.07**	**10.97**	**7.29**	**11.08**	**13.00**	**14.99**
Net trading profit before deduction of proprietors' salaries and income tax	10.57	6.83	5.73	4.38	13.41	7.52	6.51	4.27

TABLE 2. Filling Stations—Financial Structure by Size and Occupancy Basis December 31, 1950

Item[1] (Average per store)	Owned				Rented			
	Stations with annual net sales of			Total all sizes	Stations with annual net sales of			Total all sizes
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
	$	$	$	$	$	$	$	$
Assets								
Current assets:								
Cash on hand and in bank	848	2,427	4,075	2,074	961	1,960	2,841	1,812
Accounts and notes receivable (net)	726	3,676	5,338	2,778	1,569	1,723	3,005	1,879
Merchandise inventory	1,603	4,494	5,951	3,584	1,773	2,396	5,794	2,748
Other current assets:								
Government bonds and securities	116	655	164	356	431	675	103	516
Prepaid expenses	7	55	324	82	71	41	99	58
Total current assets	**3,300**	**11,307**	**15,852**	**8,874**	**4,805**	**6,795**	**11,842**	**7,013**
Fixed assets (net):								
Used in the business	6,664	10,209	18,665	10,222	1,462	1,661	3,496	1,890
Not used in the business	929	1,580	7,670	2,350	958	492	699	658
Total net fixed assets	**7,593**	**11,789**	**26,335**	**12,572**	**2,420**	**2,153**	**4,195**	**2,548**
Other assets:								
Investments of a permanent nature	—	304	947	291	142	366	251	284
Other, such as goodwill	77	110	15	81	80	473	150	310
Total other assets	**77**	**414**	**962**	**372**	**222**	**839**	**401**	**594**
Total assets	**10,970**	**23,510**	**43,149**	**21,818**	**7,447**	**9,787**	**16,438**	**10,155**
Liabilities								
Current liabilities—accounts and notes payable	1,229	4,306	8,350	3,759	1,379	2,004	3,796	2,105
Fixed liabilities—mortgages on fixed assets:								
Used in the business	1,310	2,658	3,499	2,261	52	101	636	170
Not used in the business	—	439	730	313	84	91	104	91
Other liabilities	140	573	1,299	523	368	322	1,301	488
Total liabilities	**2,679**	**7,976**	**13,878**	**6,856**	**1,883**	**2,518**	**5,837**	**2,854**
Net worth—proprietor's or partner's equity in the business	8,291	15,534	29,271	14,962	5,564	7,269	10,601	7,301
Total liabilities and net worth	**10,970**	**23,510**	**43,149**	**21,818**	**7,447**	**9,787**	**16,438**	**10,155**
Number of stores reporting	26	28	11	65	44	86	24	154
Average net sales of stores reporting	32,431	71,902	175,912	73,715	35,846	72,158	150,531	73,997

1. See definitions on page 5 for more detail.

Garages

Garages used in this survey were those whose total sales comprised more than 50% merchandise sales. "Service" garages where repair work predominated and "dealer" garages where motor vehicles were sold were excluded from this study.

Reports properly completed for profit and loss data were received from 304 garages. Results are shown separately for owned and rented businesses by sales-size categories. Balance sheet information was tabulated only for garages whose sales exceeded $20,000 and the results were obtained from 176 returns. Too few reports were received from rented garages with sales of $100,000 and over to permit separate tabulation but these were included in the total.

The operating results for 1950 and the financial structure of garages at the end of the year are summarized as follows:

Higher operating expenses in 1950 than in 1948 reduced a gain in gross profit to a slightly smaller net profit 7.8% of net sales in 1948 and 7.7% in 1950.

Greater salary costs contributed most to the rise in operating expenses.

Salary expense increased with size of business but other expenses generally decreased in sales ratio in the larger sales-size groups.

Net profits before deduction of proprietors' salaries and income tax ranged from 18% of net sales in the smallest owned category to 5% in the largest rented class.

The proprietors of garages in both the owned and rented categories obtained faborable ratios of current assets over current liabilities 2.16 for owned and 2.07 for rented.

The "owned" proprietor had sales of $4.82 for every $1 of fixed asset investment in the business. The "rented" operator, with less fixed assets, had sales of $18.86 for every $1 of fixed assets used in the business.

Financial Ratios of Garages at Dec. 31, 1950

Ratio	Owned	Rented
Current assets to current liabilities	2.16	2.07
Current assets to fixed assets	.87	2.43
Net quick assets to net worth	.38	.60
Sales to fixed assets used in the business	4.82	18.86
Liabilities to net worth	.56	.73

Operating Results of Garages 1948 and 1950 Compared

Item	1948	1950
Number of garages reporting	174	304
Average net sales $	43,567	43,440
Profit and Loss Data (Percentage of net sales)		
Gross Profit	26.23	27.80
Operating expenses:		
Employees' salaries	10.42	11.15
Occupancy	4.60	5.34
Store supplies	.67	.42
Advertising	.34	.35
All other expenses	2.38	2.82
Total operating expenses	**18.41**	**20.08**
Net profit before deduction of proprietors' salaries and income tax	7.82	7.72

GARAGES
GROSS AND NET PROFITS
BY YEARS 1944–50

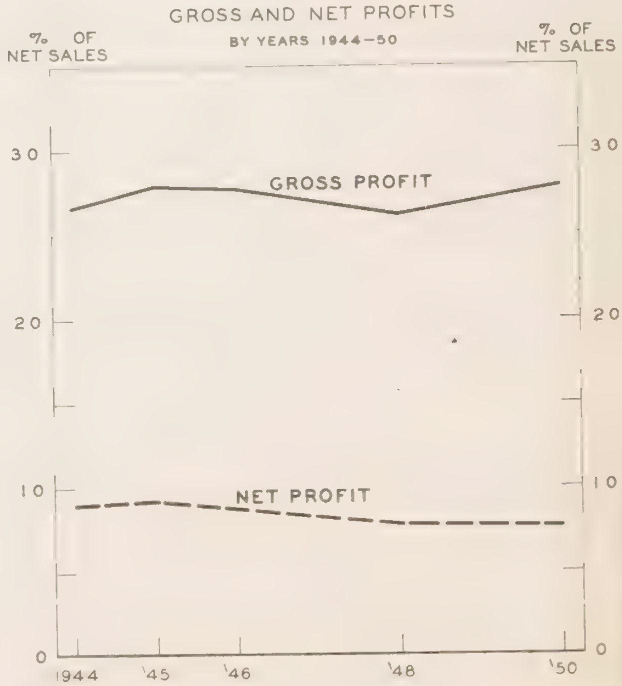

TABLE 3. Garages - Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned Stores with annual net sales of					Rented Stores with annual net sales of			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of garages reporting	16	45	86	33	16	15	42	27	12
Average net sales per garage $	8,353	14,603	30,149	64,640	155,415	14,637	33,788	66,168	141,466
Average cost of goods sold $	5,205	10,067	21,593	48,364	114,879	9,127	24,091	49,194	98,627
Average beginning inventory $	1,167	1,425	2,591	3,694	8,991	1,181	1,700	3,307	5,463
Average inventory, end of year $	1,220	1,549	2,946	4,445	10,931	1,207	1,828	3,827	7,283
Stock turnover (times per year)	4.36	6.77	7.80	11.89	11.53	7.64	13.66	13.79	15.48
Profit and Loss Data (Per cent of net sales)									
Gross profit	37.68	31.06	28.38	25.18	26.08	37.64	28.70	25.65	30.28
Operating expenses:									
Employees' salaries and wages (except delivery)	5.60	9.72	9.69	11.32	10.35	10.03	10.49	11.26	16.12
Taxes	1.52	1.11	.91	.65	.74	.36	.38	.36	.36
Insurance	1.71	.67	.76	.56	.67	.54	.50	.47	.48
Rent	—	—	—	—	—	3.66	2.65	2.05	1.95
Heat, light and power	2.79	1.52	1.44	.81	.73	1.22	1.07	.92	.91
Delivery	.56	.43	.56	.66	.49	.28	.29	.32	.31
Repairs and maintenance	.86	.81	.80	.67	.67	.42	.58	.59	.63
Depreciation allowances	2.33	2.08	2.11	1.51	1.48	1.36	1.10	.80	1.02
Store supplies	.79	.48	.49	.31	.39	1.11	.32	.42	.42
Advertising	.22	.27	.28	.29	.44	.25	.22	.34	.60
Bad debts - written off	.53	.08	.22	.33	.18	.20	.22	.22	.31
(Less) amount recovered	.13	—	.02	.02	.01	—	.05	.05	.04
Net bad debt loss	.40	.08	.20	.31	.17	.20	.17	.17	.27
All other expenses	2.60	2.10	2.35	1.62	2.89	2.41	1.65	1.70	2.14
Total operating expenses	**19.38**	**19.27**	**19.59**	**18.71**	**19.02**	**21.84**	**19.42**	**19.40**	**25.21**
Net trading profit before deduction of proprietors' salaries and income tax	18.30	11.79	8.79	6.47	7.06	15.80	9.28	6.25	5.07

TABLE 4. Garages - Financial Structure by Size and Occupancy Basis December 31, 1950

Item[1] (Average per store)	Owned				Rented		
	Garages with annual net sales of			Total all sizes	Garages with annual net sales of		Total all sizes
	$20,000 — $49,999	$50,000 — $99,999	$100,000 and over		$20,000 — $49,999	$50,000 — $99,999	
Assets							
Current assets:							
Cash on hand and in bank	1,122	3,006	4,760	2,144	1,040	2,194	1,416
Accounts and notes receivable (net)	1,927	4,043	9,303	3,557	1,439	4,787	3,162
Merchandise inventory	3,303	4,591	10,472	4,687	1,888	3,909	3,213
Other current assets:							
Government bonds and securities	527	1,052	725	693	100	469	431
Prepaid expenses	44	212	53	89	6	6	105
Total current assets	**6,923**	**12,904**	**25,313**	**11,170**	**4,473**	**11,365**	**8,327**
Fixed assets (net):							
Used in the business	8,488	11,932	27,012	12,095	2,579	2,587	2,975
Not used in the business	950	305	972	785	—	643	451
Total net fixed assets	**9,438**	**12,237**	**27,984**	**12,880**	**2,579**	**3,230**	**3,426**
Other assets:							
Investments of a permanent nature	3	341	1,156	260	248	159	295
Other, such as goodwill	287	555	530	392	281	89	351
Total other assets	**290**	**896**	**1,686**	**652**	**529**	**248**	**646**
Total assets	**16,651**	**26,037**	**54,983**	**24,702**	**7,581**	**14,843**	**12,399**
Liabilities							
Current liabilities - accounts and notes payable	2,619	4,841	16,107	5,171	1,419	6,366	4,032
Fixed liabilities - mortgages on fixed assets:							
Used in the business	2,024	1,983	6,181	2,622	24	277	255
Not used in the business	107	—	289	106	—	412	142
Other liabilities	526	1,689	1,600	985	741	635	808
Total liabilities	**5,276**	**8,513**	**24,177**	**8,884**	**2,184**	**7,690**	**5,237**
Net Worth - Proprietor's or partner's equity in the business	11,375	17,524	30,806	15,818	5,397	7,153	7,162
Total liabilities and net worth	**16,651**	**26,037**	**54,983**	**24,702**	**7,581**	**14,843**	**12,399**
Number of stores reporting	73	32	18	123	30	17	53
Average net sales of stores reporting	30,560	63,279	161,941	58,299	35,403	67,219	56,112

1. See definitions on page 5 for more detail.

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES 1952

Published by Authority of
The Right Honourable C. D. Howe, Minister of Trade and Commerce

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

A — Wholesale Trade, 25¢
*B — Operating Results of Food Wholesalers, 25¢
*C — Operating Results of Dry goods, Piece Goods, and Footwear Wholesalers, 25¢
*D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢

Part II — Retail Statistics

E — General Review, 25¢
F — Retail Trade, 50¢
G — Retail Chain Stores, 50¢
*H — Operating Results of Chain Food Stores, 25¢
* I — Operating Results of Chain Clothing Stores, 25¢
* J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢
K — Operating Results of Retail Food Stores, 25¢
L — Operating Results of Retail Clothing Stores, 25¢
M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢
N — Operating Results of Filling Stations and Garages, 25¢
O — Operating Results of Miscellaneous Retail Stores, 25¢
P — Retail Consumer Credit, 25¢

Part III — Service and Special Fields

Q — Laundries, Cleaners and Dyers, 25¢
R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
S — Hotels, 25¢
T — Sales Financing, 25¢
U — Farm Implement and Equipment Sales, 25¢
V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
W — Advertising Agencies (Memorandum), 25¢
X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1952.

TABLE OF CONTENTS

DEFINITIONS

Profit and Loss

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" (in unincorporated store operations).

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – Payments for use of business premises.

Heat, light and power – cost applicable to year's operations.

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances – provision for decrease in the value of fixed store assets.

Store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash, and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities – are obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities – mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities – long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth – Unincorporated business – the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawls.

Incorporated business – net worth is shown in two parts: (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios – Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivables) can result in a stronger or more favourable ratio.

Liquidity Ratio – Cash + Accounts Receivable + Government Bonds and Securities ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio – Net Worth ÷ Total Liabilities – If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES 1952

INTRODUCTION

The ratios appearing in the operating results bulletins may not constitute an ideal pattern of operations which all retailers should set as a goal, but they do represent a standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants, have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more. There are many reasons for this, some of them associated with the natural incompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result if inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report:

1. Filling Stations
2. Garages

There are analyses of:

1. Profit and loss statements
2. Balance sheets

Profit and loss data are shown for "owned" and "rented" businesses separately, and for various sales-size categories.

Balance sheet data, which was introduced in 1948, is continued in this 1952 study. This information is presented by sales-size and kind of occupancy groups for firms with $20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

This year, definitions of the ratios presented in this bulletin, for comparison and financial statement analysis, are shown on the opposite page.

FILLING STATIONS

For the purpose of the operating results survey, in order that we could retain uniformity in the results, the annual sales composition was used as the basis of including or omitting a firm's results from the filling station tabulations. Gasoline and oil, automobile accessories, batteries and tires were the primary goods sold. However, if gasoline and oil did not represent at least 75 per cent, or if repairs represented more than 25 per cent of the annual sales, the firm's results were not used.

After careful editing of the questionnaires returned, it was possible to use 247 reports of filling stations in the tabulation of profit and loss averages and ratios. Results of firms operated in owned or rented premises are shown separately. A further differentiation was made within each of these categories to present results within typical sales-size categories.

Balance sheet results are also shown, in the form of averages, for both owned and rented categories, but only for those firms in the annual sales-size groups commencing at $20,000. A sufficient number of firms reported to allow a further segregation of results for firms in operation "under ten years" and "10 years and over".

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from $50,000 in 1950 to $55,000 in 1952, and rent showed a proportionate increase from $600 to $660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The average gross profit, expressed as a percentage of average net sales, increased from 18.66 per cent in 1950 to 20.11 in 1952. Operating expenses, in total, showed a larger increase from 12.65 per cent to 14.20 per cent for the respective years' operations. This increase was common to all itemized expenses, with employees' salaries showing the largest increase from 6.78 per cent to 7.67 per cent for 1950 and 1952 respectively. The fact that total operating expenses increased to a greater extent than did the gross profit, caused a slight decline in the net operating profit ratio from 6.01 per cent in 1950 to 5.91 per cent in 1952. However, average net sales were greater in 1952. Therefore, although the net operating profit formed a smaller portion of the average sales' dollar, it does not mean that filling station operators realized a smaller profit because the average net sales (or the number of sales' dollars) increased.

Generally, inventories were very slightly higher in value at the end of 1952 than at the beginning of the year.

The annual rate of stock turnover ranged from 12.25 in the smaller filling stations to 29.60 for firms in the largest sales-size category.

Operating Results of Filling Stations 1950 and 1952 Compared

Item	1950	1952
Average net sales ... $	63,150	71,994
Profit and Loss Data (Per cent of net sales)		
Gross profit	**18.66**	**20.11**
Operating expenses:		
Employees' salaries	6.78	7.67
Occupancy	3.86	4.19
Store supplies	0.31	0.35
Advertising	0.24	0.26
All other expenses	1.46	1.73
Total operating expenses	**12.65**	**14.20**
Net operating profit before deduction of proprietors' salaries and income tax	**6.01**	**5.91**

Financial Ratios of Filling Stations as at December 31, 1952

Ratio[1]	Owned	Rented
Current ratio	3.71	3.22
Liquidity ratio	2.42	2.11
Working capital to net worth	0.38	0.66
Worth debt ratio	2.32	2.59
Turnover of total capital employed	3.14	8.76

1. Ratio definitions are shown on page 6.

TABLE 1. Filling Stations — Operating Results by Sales Volume and Occupancy Basis, 1952

Item	Owned stations with annual net sales of			Rented stations with annual net sales of		
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stations reporting	15	40	19	44	75	43
Average net sales per station $	15,357	33,784	73,449	35,899	73,051	158,840
Average cost of goods sold $	11,965	27,520	60,791	28,509	57,709	126,244
Average beginning inventory $	997	2,011	2,482	1,440	2,301	4,122
Average inventory, end of year $	958	1,902	2,757	1,376	2,330	4,408
Stock turnover (times per year)	12.25	14.07	23.21	20.20	24.93	29.60
Profit and Loss Data (Per cent of net sales)						
Gross profit	**22.09**	**18.54**	**17.24**	**20.59**	**21.00**	**20.52**
Operating expenses:						
Employees' salaries and wages	3.29	4.30	5.51	6.13	7.31	9.60
Taxes	1.05	0.62	0.54	0.37	0.30	0.30
Insurance	0.65	0.48	0.29	0.31	0.25	0.28
Rent	—	—	—	2.34	2.61	2.44
Heat, light and power	1.39	0.98	0.80	0.37	0.63	0.59
Repairs and maintenance	0.51	0.68	0.61	0.33	0.31	0.27
Depreciation allowances	1.39	0.98	0.86	0.49	0.41	0.31
Store supplies	0.57	0.37	0.39	0.46	0.36	0.32
Advertising	0.13	0.15	0.27	0.25	0.26	0.27
Bad debts-written off	0.06	0.03	0.10	0.08	0.20	0.10
(Less) amount recovered	—	—	0.01	—	0.02	0.01
Net bad debt loss	0.06	0.03	0.09	0.08	0.18	0.09
All other expenses	2.62	1.35	1.28	1.19	1.65	1.77
Total operating expenses	**11.66**	**10.44**	**10.64**	**13.32**	**14.27**	**16.24**
Net operating profit before deduction of proprietors' salaries and income tax	**10.43**	**8.10**	**6.60**	**7.27**	**6.73**	**4.28**

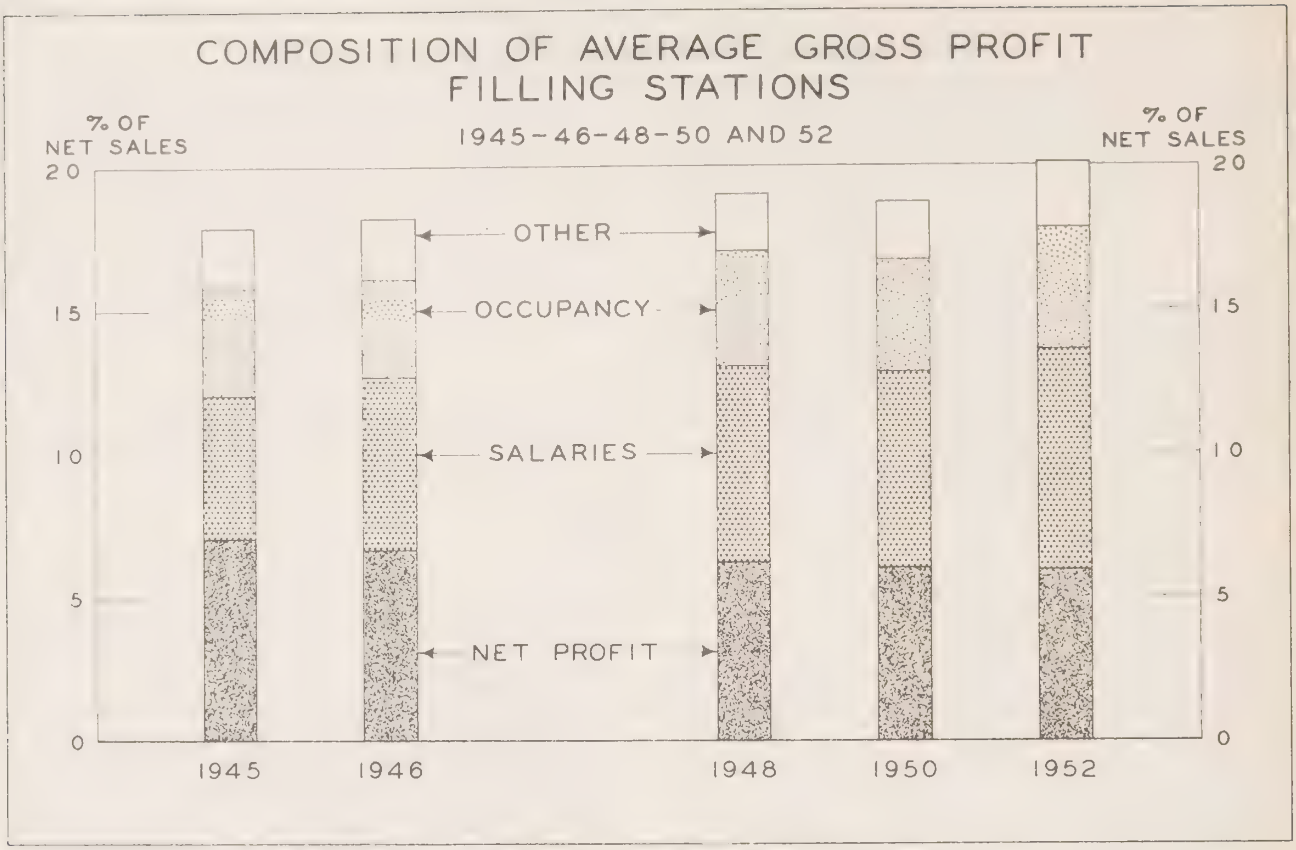

TABLE 2. Filling Stations – Owned – Financial Structure by Size and Age of Business as at December 31, 1952

Item	Stations with annual net sales of							Total all sizes $20,000 and over
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets								
Current asset:								
Cash on hand and in bank	1,505	1,867	1,731	2,738	5,917	4,421	4,537	3,062
Accounts and notes receivable (net)	459	1,400	1,047	1,737	2,383	2,079	2,687	1,630
Merchandise inventory	1,267	2,843	2,252	2,490	3,451	2,999	5,384	2,922
Other current assets	—	971	607	844	931	890	1,200	785
Total current assets	**3,231**	**7,081**	**5,637**	**7,809**	**12,682**	**10,389**	**13,808**	**8,399**
Fixed assets (net):								
Used in the business	9,258	5,697	7,032	17,170	14,100	15,544	15,297	11,166
Not used in the business	—	1,543	965	2,500	4,530	3,575	3,050	2,175
Total fixed assets (net)	**9,258**	**7,240**	**7,997**	**19,670**	**18,630**	**19,119**	**18,347**	**13,341**
Other assets:								
Investments of a permanent nature	—	—	—	—	293	155	—	56
Intangibles	222	—	83	250	1,367	841	—	347
Total other assets	**222**	**—**	**83**	**250**	**1,660**	**996**	**—**	**403**
Total assets	**12,711**	**14,321**	**13,717**	**27,729**	**32,972**	**30,504**	**32,155**	**22,143**
Liabilities								
Current liabilities — accounts and notes payable	1,922	1,051	1,377	1,542	2,951	2,288	5,726	2,262
Fixed liabilities — mortgages on fixed assets:								
Used in the business	1,420	596	905	6,270	2,010	4,015	4,598	2,501
Not used in the business	—	133	83	—	781	413	833	299
Other liabilities	50	47	48	1,814	2,077	1,953	35	735
Total liabilities	**3,392**	**1,827**	**2,413**	**9,626**	**7,819**	**8,669**	**11,192**	**5,797**
Net worth — proprietor's or partners' equity in the business	9,319	12,494	11,304	18,103	25,153	21,835	20,963	16,346
Total liabilities and net worth	**12,711**	**14,321**	**13,717**	**27,729**	**32,972**	**30,504**	**32,155**	**22,143**
Number of stations reporting	9	15	24	8	9	17	6	47
[illegible]	37,384	34,363	35,496	78,724	70,195	74,208	138,735	62,677

TABLE 3. Filling Stations — Rented — Financial Structure by Size and Age of Business as at December 31, 1952

Item	Stations with annual net sales of									Total all sizes $20,000 and over
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in bank	747	688	726	1,632	2,791	2,288	2,920	4,370	3,989	2,540
Accounts and notes receivable (net)	1,524	1,063	1,357	2,220	1,661	1,903	2,171	4,363	3,736	2,399
Merchandise inventory	1,970	1,294	1,724	2,251	2,515	2,401	2,928	4,750	4,270	2,869
Other current assets	525	625	561	157	267	220	59	1,216	911	501
Total current assets	4,766	3,670	4,368	6,260	7,234	6,812	8,078	14,699	12,956	8,309
Fixed assets (net):										
Used in the business	1,452	1,170	1,349	1,983	1,551	1,738	2,947	2,448	2,579	1,933
Not used in the business	368	3,250	1,416	526	888	731	—	2,387	1,759	1,182
Total fixed assets (net)	1,820	4,420	2,765	2,509	2,439	2,469	2,947	4,835	4,338	3,115
Other assets:										
Investments of a permanent nature	14	—	9	107	184	151	—	160	118	115
Intangibles	351	402	369	607	234	395	2,105	7	560	443
Total other assets	365	402	378	714	418	546	2,105	167	678	558
Total assets	6,951	8,492	7,511	9,483	10,091	9,827	13,130	19,701	17,972	11,982
Liabilities										
Current liabilities — accounts and notes payable	2,332	484	1,660	1,323	2,007	1,711	1,485	5,567	4,493	2,583
Fixed liabilities—mortgages on fixed assets:										
Used in the business	212	—	135	433	118	254	930	—	245	229
Not used in the business	—	625	227	—	148	84	—	1,125	829	346
Other liabilities	137	622	313	117	179	152	488	39	157	183
Total liabilities	2,681	1,731	2,335	1,873	2,452	2,201	2,903	6,731	5,724	3,341
Net worth — proprietor's or partners' equity in the business	4,270	6,761	5,176	7,610	7,639	7,626	10,227	12,970	12,248	8,641
Total liabilities and net worth	6,951	8,492	7,511	9,483	10,091	9,827	13,130	19,701	17,972	11,982
Number of stations reporting	14	8	22	26	34	60	10	28	38	120
Average net sales of stations reporting	34,652	40,481	36,771	71,112	75,676	73,697	130,777	171,976	161,130	94,617

GARAGES

For the purpose of the operating results survey, in order that we could retain uniformity in the results, the annual sales' composition was used as the basis of including or omitting a garage's results from the tabulations. Automotive parts and accessories had to represent at least 50 per cent of annual sales or the results of the firm were excluded. Similarly, the results of specialized "service" garages where repair work predominated, and "dealer" garages where motor vehicles were sold, were excluded from this study.

After careful editing of questionnaires returned, it was possible to use 203 reports of garages in the tabulation of profit and loss averages and ratios. Results of firms operated in owned and rented premises are shown separately. A further differentiation was made within each of these categories to present results within typical sales-size categories.

Balance sheet results are also shown, in the form of averages, but only for those firms in the annual sales-size groups commencing at $20,000. A sufficient number of garages reported to allow a further segregation of results for firms in operation "under 10 years" and "10 years and over".

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from $50,000 in 1950 to $55,000 in 1952, and rent showed a proportionate increase from $600 to $660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The average gross profit, expressed as a percentage of average net sales increased from 27.80 per cent in 1950 to 29.93 per cent in 1952. Operating expenses, in total, showed a smaller increase from 20.08 per cent to 21.62 per cent for the respective years' operations. The increases in employees' salaries, store supplies and advertising were more than sufficient to offset the slight declines in occupancy and all other expenses. The fact that the average gross profit increased to a greater extent than did total operating expenses, caused an increase in the net operating profit ratio from 7.72 per cent in 1950 to 8.31 per cent in 1952. In addition, average net sales were greater in 1952. Therefore, garage operators netted a larger operating profit for 1952 operations than is indicated by direct ratio comparison. That is, in addition to the net operating profit being a larger portion of the average net sales' dollar in 1952, the average net sales (or the number of sales' dollars) were also greater in 1952 when compared to 1950 operating results.

Generally, inventories were slightly lower in value at the end of 1952 than at the beginning of the year. This trend was more apparent for firms in the larger sales-size groups. Inventories were smaller for firms operated in rented premises.

The annual rate of stock turnover ranged from 8.00 for the smaller garages to 17.56 for firms in the largest sales-size category. Because inventories were smaller for firms operated in rented premises, the annual stock turnover rates for these firms were larger.

Operating Results of Garages 1950 and 1952 Compared

Item	1950	1952
Average net sales $	43,440	49,484
Profit and Loss Data (Per cent of net sales)		
Gross profit	**27.80**	**29.93**
Operating expenses:		
Employees' salaries	11.15	12.91
Occupancy	5.34	5.10
Store supplies	0.42	0.53
Advertising	0.35	0.41
All other expenses	2.82	2.67
Total operating expenses	**20.08**	**21.62**
Net operating profit before deduction of proprietors' salaries and income tax	7.72	8.31

Financial Ratios of Garages as at December 31, 1952

Ratio [1]	Owned	Rented
Current ratio	2.88	2.65
Liquidity ratio	1.79	1.84
Working capital to net worth	0.40	0.61
Worth debt ratio	2.05	2.24
Turnover of total capital employed	2.54	4.16

1. Ratio definitions are shown on page 6.

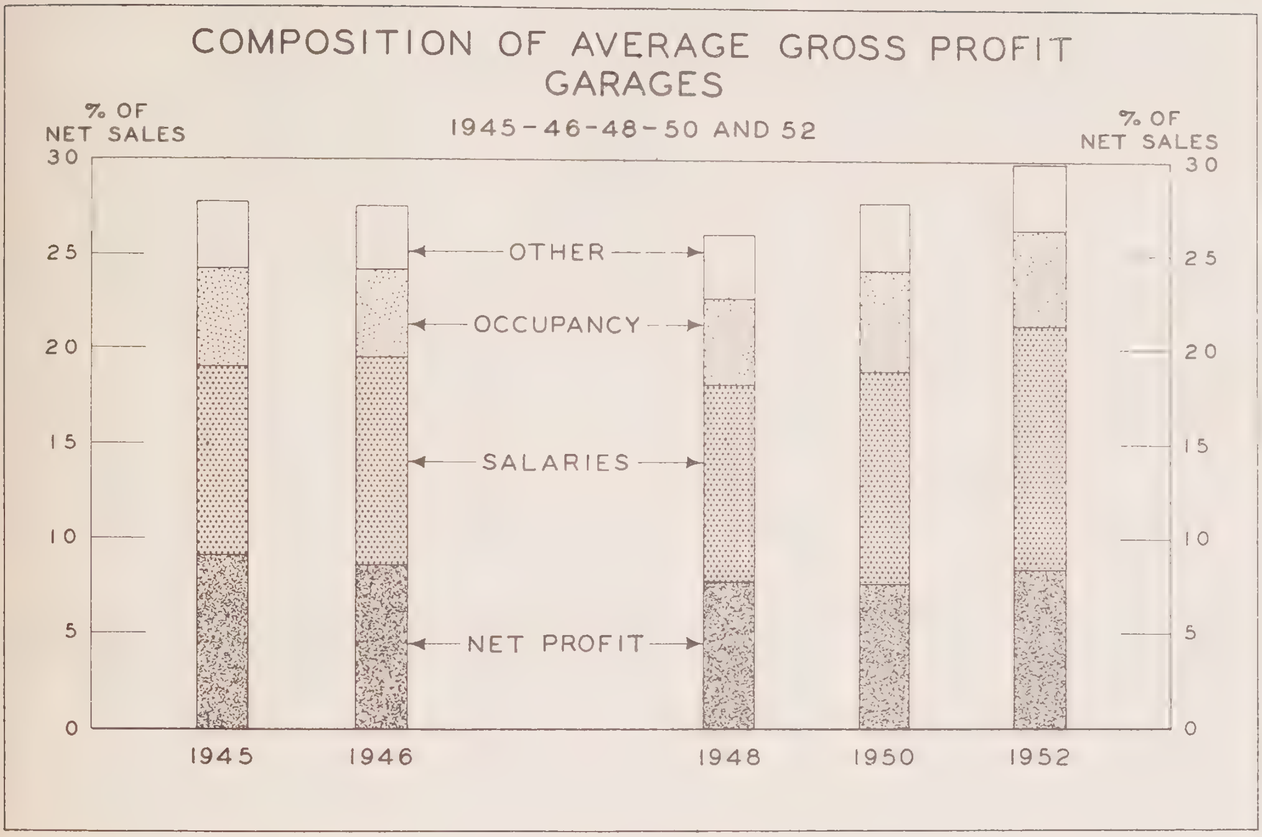

TABLE 4. Garages—Operating Results by Sales Volume and Occupancy Basis, 1952

Item	Owned garages with annual net sales of				Rented garages with annual net sales of			
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of garages reporting	24	52	27	11	12	36	22	13
Average net sales per garage $	14,802	29,911	69,330	164,993	15,299	33,591	70,873	149,661
Average cost of goods sold $	9,929	20,740	52,653	114,808	8,964	23,711	48,400	103,449
Average beginning inventory $	1,156	2,549	3,930	11,820	810	2,059	3,322	5,395
Average inventory, end of year $	1,195	2,637	3,971	9,149	665	2,199	2,727	6,389
Stock turnover (times per year)	8.45	8.00	13.33	10.95	12.16	11.14	16.01	17.56
Profit and Loss Data (Per cent of net sales)								
Gross profit	**32.91**	**30.66**	**24.05**	**30.42**	**41.40**	**29.41**	**31.71**	**30.87**
Operating expenses:								
Employees' salaries and wages	8.10	9.93	10.13	15.08	8.47	8.87	16.51	15.61
Taxes	1.55	1.17	0.75	0.74	0.53	0.51	0.47	0.31
Insurance	0.92	0.83	0.54	0.63	0.64	0.52	0.55	0.49
Rent	—	—	—	—	3.25	2.70	2.38	2.13
Heat, light and power	1.77	1.40	0.89	0.69	1.08	1.24	0.73	0.61
Repairs and maintenance	0.94	0.59	0.77	0.66	0.64	0.48	0.66	0.47
Depreciation allowances	1.91	1.85	1.31	1.21	1.97	1.01	0.84	0.69
Store supplies	0.82	0.63	0.50	0.48	0.78	0.61	0.51	0.40
Advertising	0.26	0.25	0.22	0.62	0.22	0.22	0.50	0.53
Bad debts—written off	0.34	0.13	0.28	0.32	0.30	0.19	0.26	0.38
(Less) amount recovered	—	0.01	0.02	0.04	—	0.01	—	0.12
Net bad debt loss	0.34	0.12	0.26	0.28	0.30	0.18	0.26	0.26
All other expenses	2.45	2.70	1.64	3.12	2.71	2.42	2.41	2.13
Total operating expenses	**19.06**	**19.47**	**17.01**	**23.51**	**20.59**	**18.76**	**25.82**	**23.63**
Net operating profit before deduction of proprietors' salaries and income tax	13.85	11.19	7.04	6.91	20.81	10.65	5.89	7.24

TABLE 5. Garages — Owned — Financial Structure by Size and Age of Business, as at December 31, 1952

Item	Garages with annual net sales of							Total all sizes $20,000 and over
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets								
Current assets:								
Cash on hand and in bank	1,398	1,745	1,619	1,018	4,027	3,217	5,632	2,640
Accounts and notes receivable (net)	940	1,686	1,415	2,337	3,456	3,155	14,641	3,633
Merchandise inventory	1,962	3,272	2,795	2,423	4,489	3,932	9,407	3,992
Other current assets	69	346	246	131	222	198	663	282
Total current assets	**4,369**	**7,049**	**6,075**	**5,909**	**12,194**	**10,502**	**30,343**	**10,547**
Fixed assets (net):								
Used in the business	12,671	9,425	10,605	12,825	8,965	10,004	25,581	12,282
Not used in the business	369	1,025	786	4,464	1,665	2,419	3,403	1,644
Total fixed assets (net)	**13,040**	**10,450**	**11,391**	**17,289**	**10,630**	**12,423**	**28,984**	**13,926**
Other assets:								
Investments of a permanent nature	—	380	242	—	—	—	750	227
Intangibles	1,856	242	829	—	787	575	442	698
Total other assets	**1,856**	**622**	**1,071**	**—**	**787**	**575**	**1,192**	**925**
Total assets	**19,265**	**18,121**	**18,537**	**23,198**	**23,611**	**23,500**	**60,519**	**25,398**
Liabilities								
Current liabilities — accounts and notes payable	2,173	2,342	2,281	2,756	2,843	2,820	11,973	3,667
Fixed liabilities — mortgages on fixed assets:								
Used in the business	4,139	1,211	2,275	11,870	1,762	4,483	7,754	3,678
Not used in the business	270	250	257	709	719	716	2,016	627
Other liabilities	135	312	248	7	960	704	—	365
Total liabilities	**6,717**	**4,115**	**5,061**	**15,342**	**6,284**	**8,723**	**21,743**	**8,337**
Net worth — proprietor's or partners' equity in the business	12,548	14,006	13,476	7,856	17,327	14,777	38,776	17,061
Total liabilities and net worth	**19,265**	**18,121**	**18,537**	**23,198**	**23,611**	**23,500**	**60,519**	**25,398**
Number of garages reporting	16	28	44	7	19	26	10	80
Average net sales of garages reporting	29,799	30,796	30,433	70,913	68,671	69,275	168,616	60,330

TABLE 6. Garages — Rented — Financial Structure by Size and Age of Business, as at December 31, 1952

Item	Garages with annual net sales of							Total all sizes $20,000 and over
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets								
Current assets:								
Cash on hand and in bank	1,319	2,180	1,719	1,127	3,836	2,482	4,874	2,568
Accounts and notes receivable (net)	1,992	1,466	1,747	7,449	4,928	6,189	8,905	4,531
Merchandise inventory	1,878	2,130	1,995	5,473	2,878	4,176	6,077	3,471
Other current assets	224	449	329	225	2,299	1,261	1,069	766
Total current assets	**5,413**	**6,225**	**5,790**	**14,274**	**13,941**	**14,108**	**20,925**	**11,336**
Fixed assets (net):								
Used in the business	2,021	2,638	2,308	6,395	4,015	5,205	7,725	4,267
Not used in the business	267	25	154	131	993	562	—	254
Total fixed assets (net)	**2,288**	**2,663**	**2,462**	**6,526**	**5,008**	**5,767**	**7,725**	**4,521**
Other assets:								
Investments of a permanent nature	26	—	14	82	—	41	1,960	398
Intangibles	667	292	492	296	646	471	236	436
Total other assets	**693**	**292**	**506**	**378**	**646**	**512**	**2,196**	**834**
Total assets	8,394	9,180	8,758	21,178	19,595	20,387	30,846	16,691
Liabilities								
Current liabilities — accounts and notes payable	1,245	1,854	1,528	11,518	2,994	7,256	6,437	4,284
Fixed liabilities — mortgages on fixed assets:								
Used in the business	168	192	179	1,403	736	1,069	524	526
Not used in the business	—	—	—	—	434	218	—	69
Other liabilities	693	—	371	195	311	253	29	268
Total liabilities	**2,106**	**2,046**	**2,078**	**13,116**	**4,475**	**8,796**	**6,990**	**5,147**
Net worth — proprietor's or partners' equity in the business	6,288	7,134	6,680	8,062	15,120	11,591	23,856	11,544
Total liabilities and net worth	**8,394**	**9,180**	**8,758**	**21,178**	**19,595**	**20,387**	**30,846**	**16,691**
Number of garages reporting	15	13	28	9	9	18	11	57
Average net sales of garages reporting	33,234	34,962	34,033	67,769	77,357	72,563	149,264	68,430

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES 1954

Published by Authority of
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

A — Wholesale Trade, 25¢
*B — Operating Results of Food Wholesalers, 25¢
*C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
*D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
2 Operating Results of Drug Wholesalers, 25¢
3 Operating Results of Hardware Wholesalers, 25¢
4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

E — General Review — (Discontinued)
F — Retail Trade, 50¢
G — Retail Chain Stores, 50¢
*H — Operating Results of Food Store Chains, 25¢
* I — Operating Results of Clothing Store Chains, 25¢
* J — 1 Operating Results of Variety Store Chains, 25¢
2 Operating Results of Drug Stores Chains, 25¢
3 Operating Results of Furniture Store Chains, 25¢
K — Operating Results of Independent Food Stores, 25¢
L — Operating Results of Independent Clothing Stores, 25¢
M — Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
N — Operating Results of Filling Stations & Garages, 25¢
O — 1 Operating Results of Independent General Stores, 25¢
2 Operating Results of Independent Restaurants, 25¢
3 Operating Results of Independent Fuel Dealers, 25¢
4 Operating Results of Independent Drug Stores, 25¢
5 Operating Results of Independent Jewellery Stores, 25¢
6 Operating Results of Independent Tobacco Stores, 25¢
P — Retail Consumer Credit, 25¢

Part III — Services and Special Fields

Q — Laundries, Cleaners and Dyers, 25¢
R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
S — Hotels, 25¢
T — Sales Financing, 25¢
U — Farm Implement and Equipment Sales, 25¢
V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
W — Advertising Agencies (Memorandum), 10¢
X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

*Biennial reports — not issued for 1954.

TABLE OF CONTENTS

DEFINITIONS

Profit and Loss

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" (in unincorporated store operations).

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – Payments for use of business premises.

Heat, light and power – cost applicable to year's operations.

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances – provision for decrease in the value of fixed store assets.

Store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank — the amount of cash in the business at the end of the year.

Net accounts receivable — all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) — the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — investments of a permanent nature not readily converted into cash, and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities — are obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

Incorporated business — net worth is shown in two parts:
(1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
(2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios – Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivables) can result in a stronger or more favourable ratio.

Liquidity Ratio – Current Assets less Merchandise Inventory ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio – Net Worth ÷ Total Liabilities – If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES

1954

INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail operators for the trades covered. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail business or the prospective operator might well study these averages. Not all failures in business, however, come from the "new-owner" group. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established business, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report:

1. Filling Stations.
2. Garages.

There are analyses of:

1. profit and loss statements
2. balance sheet statements.

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories.

Balance sheet data, which were introduced in 1948, are continued in this 1954 study. This information is presented by sales-size and kind of occupancy groups for business with $20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales, than was possible when all fixed assets of the proprietor were reported as one item.

FILLING STATIONS

Only filling stations, selling mainly gas, oil, parts and accessories, tires and tubes, and also performing service and repairs, were used in this report. The sale of gas and oil must constitute 67% or more of total net sales.

Unincorporated "single establishments" or "independent" firms only are covered. After careful editing, 296 questionnaires were used for the profit and loss tabulations (112 for owned and 184 for rented filling stations). Returns from which balance sheet data were used numbered 244.

Any change in the actual count from survey to survey may be attributed to changes in classification, filling stations going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made on a sales-size range basis and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large stations is generally better than that from smaller ones. To obtain proper ratios for total trade, weights of the 1951 census were used. For example, in response to this survey, independent filling stations between $10,000 and $19,999 may represent 5% of the business done by all respondents. According to the 1951 census, they might account for approximately 11% of total filling station sales. To obtain ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

The summary chart does not show weighted ratios; for sake of comparability with previous years for which weights are not available, aggregate or unweighted ratios were used.

The average gross profit expressed as a percentage of average net sales increased in 1954 to 20.80 per cent from 19.70 per cent in 1952. Net operating expenses also increased, but to a smaller extent, leaving net operating profit with an increase amounting to 0.13 per cent—6.97 per cent in 1952 and 7.10 per cent in 1954. Supplies expense showed the only decrease in operating expenses in 1954 compared with 1952, 0.32 and 0.39 per cent respectively.

Inventories at the end of the year were slightly higher for owned filling stations and slightly lower for rented ones than they were at the beginning of the year. Average inventories for owned and rented establishments showed a very slight increase at year end compared with beginning.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, chart and tables, will give more detail and information on operating results and financial position of filling stations for 1954.

Operating Results of Filling Stations 1952 and 1954 Compared

Item	1952	1954
	(per cent of net sales)	
Gross Profit	**19.70**	**20.80**
Operating expenses		
Employees' salaries	6.28	6.61
Occupancy	4.19	4.64
Store Supplies	0.39	0.32
Advertising	0.22	0.28
All other expenses	1.65	1.85
Total operating expenses	**12.73**	**13.70**
Net operating profit before deduction of proprietors' salaries and income tax	**6.97**	**7.10**

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

Financial Ratios of Filling Stations as at December 31, 1948 -50-52-54

Item[1]		Unincorporated	
		Owned	Rented
Current Ratio	1948	3.17	3.66
	1950	2.36	3.33
	1952	3.71	3.22
	1954	2.83	2.92
Liquidity ratio	1952	2.42	2.11
	1954	1.99	1.95
Working Capital to Net Worth ratio	1948	0.35	0.69
	1950	0.34	0.67
	1952	0.38	0.66
	1954	0.32	0.61
Worth Debt ratio	1948	3.57	3.33
	1950	2.17	2.56
	1952	2.82	2.59
	1954	2.52	2.24
Turnover of total capital employed	1952	3.14	8.76
	1954	3.45	8.18

1. Ratio definitions are shown on page 6.

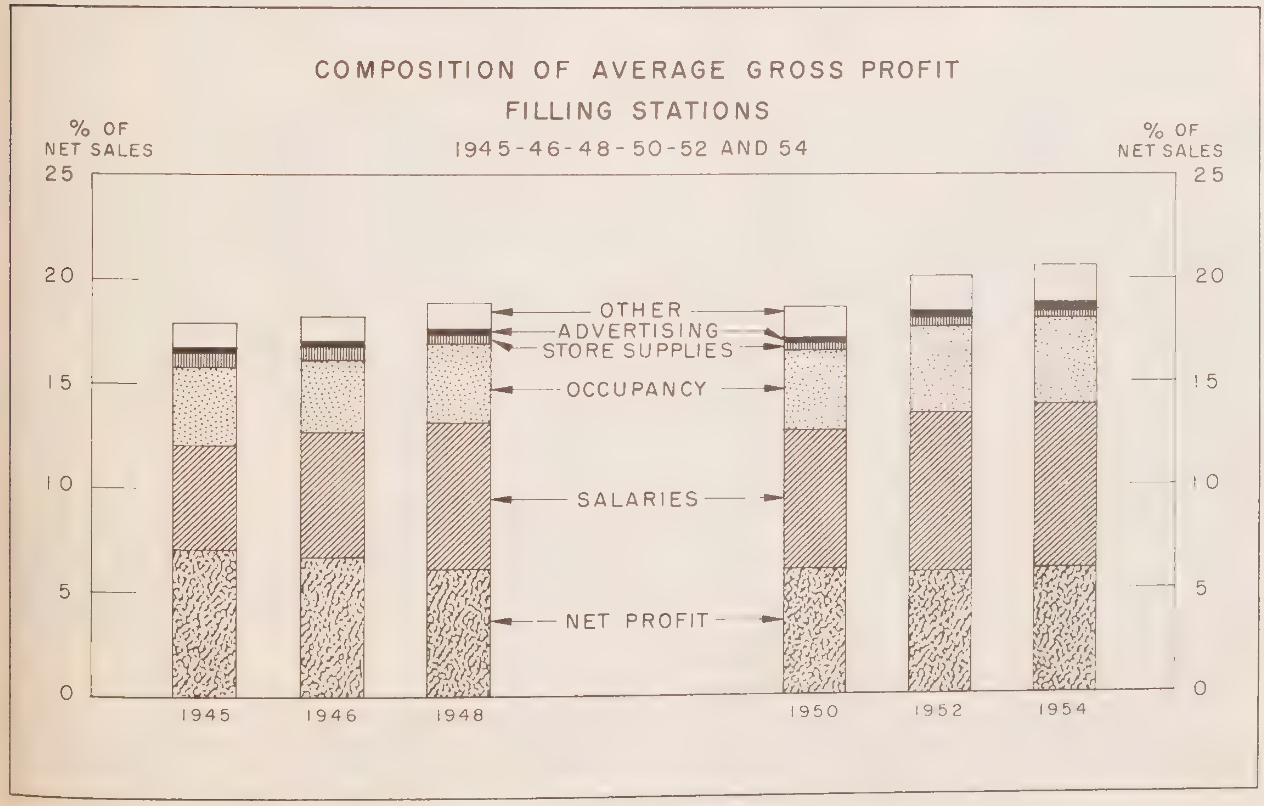

TABLE 1. Filling Stations — Operating Results by Annual Sales Volume and Occupancy 1954

Item	Owned stations with annual net sales of				Rented stations with annual net sales of		
	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stations reporting	15	49	30	16	37	81	61
Average net sales per station $	15,308	33,158	72,794	185,195	34,424	73,349	158,509
Average beginning inventory $	1,077	1,659	2,953	3,067	1,544	2,314	4,150
Average inventory, end of year $	1,041	1,639	3,031	3,482	1,585	2,281	4,108
Average cost of goods sold $	12,308	26,558	58,583	152,966	26,959	57,242	125,248
Stock turnover (times per year)	—	—	—	—	—	—	—
Profit and Loss Data (per cent of net sales)							
Gross profit	**19.60**	**19.90**	**19.52**	**17.40**	**21.68**	**21.96**	**20.98**
Operating expenses:							
Employees salaries and wages (except delivery)	2.62	5.24	6.59	6.57	6.20	7.77	9.36
Delivery expense	0.37	0.21	0.30	0.44	0.56	0.43	0.29
Occupancy expenses:							
Taxes	0.77	0.88	0.56	0.35	0.31	0.30	0.28
Insurance	0.60	0.42	0.34	0.34	0.36	0.33	0.29
Rent	—	—	—	—	2.91	2.81	2.57
Heat, light and power	1.70	1.00	0.71	0.55	1.14	0.78	0.57
Repairs and maintenance	1.21	0.66	0.80	0.34	0.29	0.37	0.33
Depreciation allowances	1.25	1.38	1.11	0.96	0.59	0.52	0.44
Total occupancy expenses	**5.53**	**4.34**	**3.52**	**2.54**	**5.60**	**5.11**	**4.48**
Office or store supplies	0.22	0.27	0.23	0.25	0.42	0.40	0.32
Advertising	0.07	0.22	0.25	0.37	0.26	0.34	0.39
Net loss on bad debts	0.12	0.26	0.35	0.14	0.14	0.09	0.22
All other expenses	1.54	1.32	1.39	1.47	1.23	1.22	1.09
Total operating expenses	**10.47**	**11.86**	**12.63**	**11.78**	**14.41**	**15.36**	**16.15**
Net operating profit before deduction of proprietors' salaries and income tax	**9.13**	**8.04**	**6.89**	**5.62**	**7.27**	**6.60**	**4.83**

TABLE 2. Filling Stations — Owned — Financial Structure by Size and Age of Business as at December 31, 1954

Item	Stations with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	(average per store)							
Assets								
Current assets:								
Cash on hand and in bank	708	1,705	1,409	3,545	5,173	4,708	4,997	3,236
Accounts and notes receivable (net)	659	732	710	2,665	3,064	2,950	4,025	2,116
Merchandise inventory	1,415	1,886	1,746	2,951	3,071	3,037	3,702	2,564
Other current assets	6	177	126	110	2,209	1,609	360	689
Total current assets	**2,788**	**4,500**	**3,991**	**9,271**	**13,517**	**12,304**	**13,084**	**8,605**
Fixed assets (net):								
Used in the business	12,846	8,964	10,119	9,489	8,385	8,701	26,128	12,624
Not used in the business	908	2,451	1,991	1,246	2,502	2,143	867	1,834
Total fixed assets (net)	**13,754**	**11,415**	**12,110**	**10,735**	**10,887**	**10,844**	**26,995**	**14,458**
Other assets:								
Long term investments	—	288	203	—	—	—	339	157
Other assets	745	23	237	3	1,233	881	3,962	974
Total other assets	**745**	**311**	**440**	**3**	**1,233**	**881**	**3,301**	**1,131**
Total assets	**17,287**	**16,226**	**16,541**	**20,009**	**25,637**	**24,029**	**43,380**	**24,194**
Liabilities								
Current liabilities:								
Accounts and notes payable	2,048	1,004	1,315	4,485	2,824	3,298	6,807	3,039
Fixed liabilities:								
Mortgages on fixed assets used in business	2,949	399	1,157	1,271	2,426	2,096	8,918	2,941
Mortgages on fixed assets not used in business	—	177	124	724	278	405	—	199
Total fixed liabilities	**2,949**	**576**	**1,281**	**1,995**	**2,704**	**2,501**	**8,918**	**3,140**
Other liabilities	291	163	201	375	412	402	2,420	687
Total liabilities	**5,288**	**1,743**	**2,797**	**6,855**	**5,940**	**6,201**	**18,145**	**6,866**
Net worth: proprietor's or partners' equity in the business	11,999	14,483	13,744	13,154	19,697	17,828	25,235	17,328
Total liabilities and net worth	**17,287**	**16,226**	**16,541**	**20,009**	**25,637**	**24,029**	**43,380**	**24,194**
Average net sales of stations reporting	35,826	33,009	33,847	70,557	74,622	73,461	190,304	77,047
Number of stations reporting	11	26	37	8	20	28	15	80

TABLE 3. Filling Stations — Rented — Financial Structure by Size and Age of Business as at December 31, 1954

Item	Stations with annual net sales of									Total all sizes $20,000 and over
	$20,000 - $49,999			$50,000 - $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(average per store)									
Assets										
Current assets:										
Cash on hand and in bank	1,184	1,208	1,195	1,862	2,836	2,401	3,287	4,655	4,112	2,771
Accounts and notes receivable (net)	1,106	708	932	2,146	2,107	2,124	3,814	3,615	3,694	2,447
Merchandise inventory	1,586	1,664	1,620	2,460	2,082	2,251	4,407	3,973	4,145	2,798
Other current assets	611	585	599	234	390	321	125	805	536	451
Total current assets	**4,487**	**4,165**	**4,346**	**6,702**	**7,415**	**7,097**	**11,633**	**13,048**	**12,487**	**8,467**
Fixed assets (net):										
Used in the business	1,915	1,509	1,738	2,129	2,014	2,065	6,040	2,468	3,884	2,645
Not used in the business	245	1,143	638	1,058	755	890	641	3,398	2,305	1,341
Total fixed assets (net)	**2,160**	**2,652**	**2,376**	**3,187**	**2,769**	**2,955**	**6,681**	**5,866**	**6,189**	**3,986**
Other assets:										
Long term investments	63	—	35	—	461	255	13	602	368	252
Other assets	—	327	143	350	300	323	1,471	369	806	459
Total other assets	**63**	**327**	**178**	**350**	**761**	**578**	**1,484**	**971**	**1,174**	**711**
Total assets	**6,710**	**7,144**	**6,900**	**10,239**	**10,945**	**10,630**	**19,798**	**19,885**	**19,850**	**13,164**
Liabilities										
Current liabilities:										
Accounts and notes payable	2,025	980	1,568	2,348	2,152	2,240	5,623	3,730	4,480	2,901
Fixed liabilities:										
Mortgages on fixed assets used in business	667	—	375	135	276	213	2,075	86	875	479
Mortgages on fixed assets not used in business	—	—	—	477	183	314	445	1,212	908	463
Total fixed liabilities	**667**	**—**	**375**	**612**	**459**	**527**	**2,520**	**1,298**	**1,783**	**942**
Other liabilities	—	349	152	20	196	117	956	17	389	220
Total liabilities	**2,692**	**1,329**	**2,095**	**2,980**	**2,807**	**2,884**	**9,099**	**5,045**	**6,652**	**4,063**
Net worth: proprietor's or partners' equity in the business	4,018	5,815	4,805	7,259	8,138	7,746	10,699	14,840	13,198	9,101
Total liabilities and net worth	**6,710**	**7,144**	**6,900**	**10,239**	**10,945**	**10,630**	**19,798**	**19,885**	**19,850**	**13,164**
Average net sales of stations reporting	33,992	36,296	35,000	71,622	74,837	73,404	154,025	165,061	160,685	96,778
Number of stations reporting	18	14	32	33	41	74	23	35	58	164

GARAGES

Only, garages engaged in making repairs or performing other services in addition to the sale of gas, oil, accessories and parts, are covered in this report, authorized motor vehicle dealers are not included. Either one of the following two requirements must be fulfilled.

(a) Receipts from repair work and other services must constitute 25% to 50% of total trade; if exceeding 50% not classified as a garage.

(b) If less than 25%, the sale of parts and accessories should constitute at least 33% of total trade as should the sale of gas and oil.

Unincorporated "single establishment" or "independent" firms only are covered. After careful editing, 185 questionnaires were used for the profit and loss tabulations (123 for owned and 62 for rented garages). Returns from which balance sheet data were used numbered 140.

Any change in the actual count from survey to survey may be attributed to changes in classification, garages going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made on a sales-size range basis and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large garages is generally better than that from smaller ones. To obtain proper ratios for total trade, weights of the 1951 census were used. For example in response to this survey, independent garages between $10,000 and $19,999 may represent 5% of the business done by all respondents. According to the 1951 census, they might account for approximately 11% of total garage sales. To obtain ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

The summary chart does not show weighted ratios; for sake of comparability with previous years for which weights are not available, aggregate or unweighted ratios were used.

The average gross profit expressed as a percentage of average net sales increased to 30.59 per cent in 1954 from 29.65 per cent in 1952. The

reverse effect happened for net operating expenses, 21.14 per cent in 1954 against 20.02 per cent in 1952. This caused a decrease in the net operating profit, 9.45 per cent in 1954 from 9.63 per cent in 1952. Store supplies was the only operating expense with a decrease in 1954.

Inventories at the end of the year were slightly higher than at the beginning for both owned and rented garages. The only increase in inventories of owned garages was in the sales-size $50,000—$99,999. For rented garages the only sales-size with a decrease in inventory was $100,000 and over.

Stock turnover increased with sales-sizes, ranging from 7.09 to 11.23 times per year for owned garages and 7.16 to 23.74 times per year for rented garages.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, chart and table, will give more detail and information on operating results and financial position of garages for 1954.

Operating Results of Garages, 1952 and 1954 Compared

Item	1952	1954
	(per cent of net sales)	
Gross Profit	**29.65**	**30.59**
Operating expenses		
Employees' salaries	11.09	11.40
Occupancy	5.35	5.70
Store Supplies	0.58	0.44
Advertising	0.33	0.36
All other expenses	2.67	3.24
Total operating expenses	**20.02**	**21.14**
Net operating profit before deduction of proprietors' salaries and income tax	**9.63**	**9.45**

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

Financial Ratios of Independent Garages, as at December 31, 1948-50-52-54

Item[1]		Unincorporated	
		Owned	Rented
Current ratio	1948	2.43	3.22
	1950	2.16	2.07
	1952	2.88	2.65
	1954	2.32	2.91
Liquidity ratio	1952	1.79	1.84
	1954	1.39	2.07
Working Capital to net worth ratio	1948	0.39	0.63
	1950	0.38	0.60
	1952	0.40	0.61
	1954	0.39	0.61
Worth debt ratio	1948	2.44	2.70
	1950	1.79	1.37
	1952	2.05	2.24
	1954	1.73	2.61
Turnover of total capital employed	1952	2.54	4.16
	1954	2.52	3.99

1. Ratio definitions are shown on page 6.

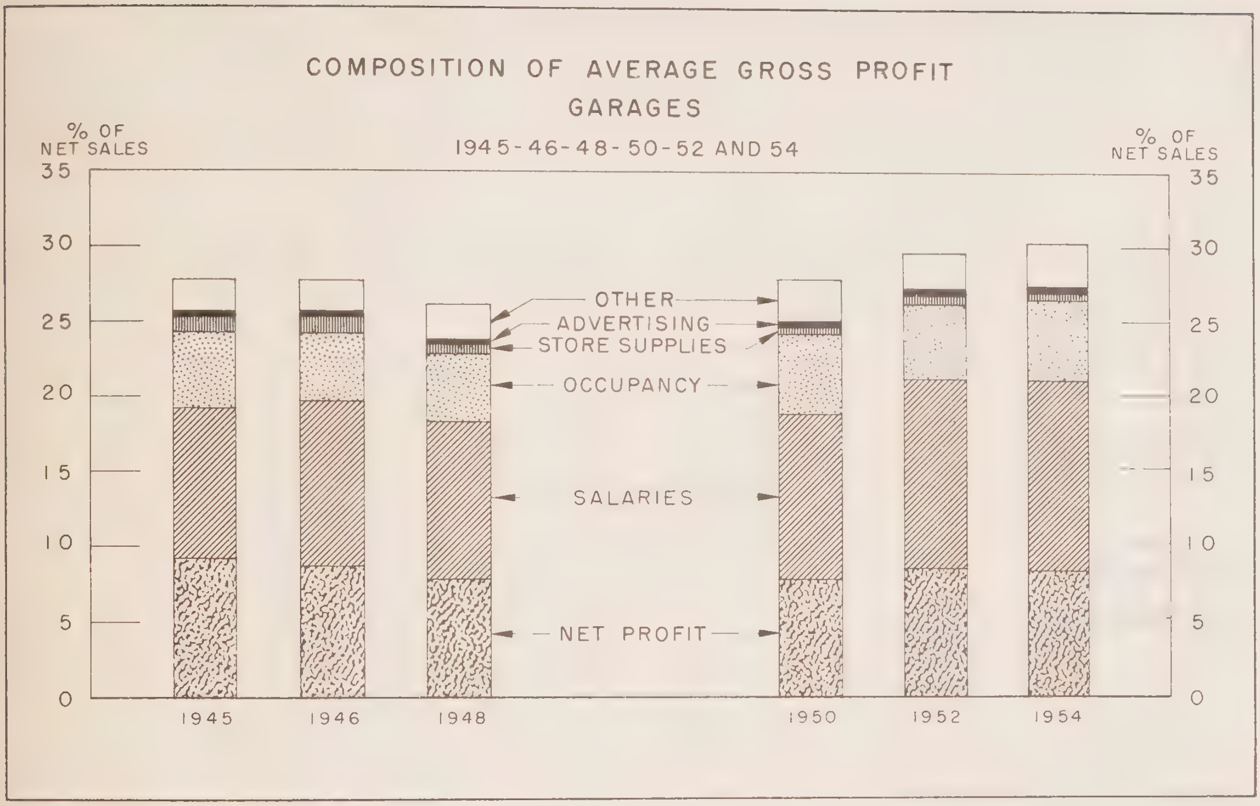

TABLE 4. Garages — Operating Results by Sales and Occupancy Basis, 1954

Item	Owned garages with annual net sales of				Rented garages with annual net sales of			
	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of garages reporting	21	54	32	12	7	28	16	9
Average net sales per garage $	14,036	31,774	71,253	142,740	16,473	31,384	67,941	163,218
Average beginning inventory $	1,353	2,579	4,713	9,475	1,256	2,102	3,800	4,623
Average inventory, end of the year $	1,324	2,496	5,233	8,631	1,358	2,145	3,824	4,607
Average cost of goods sold $	9,492	21,925	50,876	101,701	9,345	21,137	49,035	109,575
Stock turnover (times per year)	7.09	8.64	10.23	11.23	7.16	9.95	12.86	23.74
Profit and loss data (Per cent of net sales)								
Gross profit	**32.38**	**30.99**	**28.59**	**28.75**	**43.27**	**32.65**	**27.82**	**32.86**
Operating expenses: Employees' salaries and wages (except delivery)	4.00	10.75	12.75	14.46	9.39	11.08	11.31	17.20
Occupancy expenses:								
Taxes	2.13	1.21	0.89	0.73	0.74	0.42	0.20	0.44
Insurance	0.94	0.73	0.64	0.76	0.84	0.61	0.56	0.51
Rent	—	—	—	—	3.80	3.57	2.56	2.55
Heat, light and power	1.94	1.55	0.98	0.86	1.59	1.16	0.75	0.75
Repairs and maintenance	0.94	0.83	0.49	0.85	0.59	0.56	0.43	0.32
Depreciation allowances	1.74	1.68	1.62	1.10	0.88	1.38	0.79	1.03
Total occupancy expenses	**7.69**	**6.00**	**4.62**	**4.30**	**8.44**	**7.70**	**5.29**	**5.60**
Office or store supplies	0.47	0.52	0.37	0.24	0.62	0.51	0.58	0.44
Advertising	0.32	0.28	0.30	0.73	0.23	0.24	0.28	0.55
Net loss on bad debts	0.46	0.17	0.23	1.09	0.74	0.18	0.46	0.42
All other expenses	3.17	3.05	2.73	2.66	4.25	2.79	1.79	2.25
Total operating expenses	**16.11**	**20.77**	**21.00**	**23.48**	**23.67**	**22.50**	**19.71**	**26.46**
Net operating profit before deduction of proprietors' salaries and income tax	16.27	10.22	7.59	5.27	19.60	10.15	8.11	6.40

TABLE 5. Garages — Owned — Financial Structure by Size and Age of Business, as at December 31, 1954

Item	Garages with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	(Average per store)							
Assets								
Current assets:								
Cash on hand and in bank	1,322	1,876	1,706	2,530	2,632	2,593	1,758	2,002
Accounts and notes receivable (net)	2,044	1,332	1,551	4,018	4,590	4,369	13,007	3,918
Merchandise inventory	1,911	2,810	2,534	6,295	4,724	5,332	8,631	4,217
Other current assets	5	418	290	34	105	77	1,242	341
Total current assets	**5,282**	**6,436**	**6,081**	**12,877**	**12,051**	**12,371**	**24,638**	**10,478**
Fixed assets (net):								
Used in the business	10,405	7,760	8,574	15,228	13,878	14,400	19,260	11,824
Not used in the business	769	836	815	2,018	747	1,239	—	851
Total fixed assets (net)	**11,174**	**8,596**	**9,389**	**17,246**	**14,625**	**15,639**	**19,260**	**12,675**
Other assets:								
Long term investments	—	561	388	—	132	81	1,990	490
Other assets	668	361	456	1,093	3	425	59	396
Total other assets	**668**	**922**	**844**	**1,093**	**135**	**506**	**2,049**	**886**
Total assets	**17,124**	**15,954**	**16,314**	**31,216**	**26,811**	**28,516**	**45,947**	**24,039**
Liabilities								
Current liabilities:								
Accounts and notes payable	2,288	2,320	2,310	5,654	3,309	4,217	14,837	4,515
Fixed liabilities:								
Mortgages on fixed assets used in business	2,074	1,396	1,605	9,183	2,487	5,079	6,826	3,398
Mortgages on fixed assets not used in business	—	39	27	755	806	786	—	271
Total fixed liabilities	**2,074**	**1,435**	**1,632**	**9,938**	**3,293**	**5,865**	**6,826**	**3,669**
Other liabilities	2,472	58	801	334	588	490	167	619
Total liabilities	**6,834**	**3,813**	**4,743**	**15,926**	**7,190**	**10,572**	**21,830**	**8,803**
Net worth: Proprietor's or partners' equity in the business	10,290	12,141	11,571	15,290	19,621	17,944	24,117	15,236
Total liabilities and net worth	**17,124**	**15,954**	**16,314**	**31,216**	**26,811**	**28,516**	**45,947**	**24,039**
Average net sales of garages reporting	36,001	29,673	31,620	67,083	72,968	70,690	142,740	58,405
Number of garages reporting	16	36	52	12	19	31	12	95

TABLE 6. Garages — Rented — Financial Structure by Size and Age of Business, as at December 31, 1954

Item	Garages with annual net sales of					Total all sizes $20,000 and over
	$20,000 — $49,999			$50,000-$99,999	$100,000 and over	
	Under 10 years	10 years and over	Total			
	(average per store)					
Assets						
Current assets:						
Cash on hand and in bank	1,451	1,684	1,582	3,859	5,240	2,839
Accounts and notes receivable (net)	1,899	1,902	1,900	3,592	10,492	3,879
Merchandise inventory	1,602	2,493	2,101	4,400	4,493	3,139
Other current assets	31	1,331	759	337	3,014	1,048
Total current assets	**4,983**	**7,410**	**6,342**	**12,188**	**23,239**	**10,905**
Fixed assets (net):						
Used in the business	1,522	3,144	2,431	2,548	9,565	3,730
Not used in the business	330	334	332	83	125	229
Total fixed assets (net)	**1,852**	**3,478**	**2,763**	**2,631**	**9,690**	**3,959**
Other assets:						
Long term investments	—	29	16	33	4,688	851
Other assets	1	2	2	733	1,863	528
Total other assets	**1**	**31**	**18**	**766**	**6,551**	**1,379**
Total assets	**6,836**	**10,919**	**9,123**	**15,585**	**39,480**	**16,243**
Liabilities						
Current liabilities:						
Accounts and notes payable	1,503	2,142	1,861	4,928	7,897	3,752
Fixed liabilities:						
Mortgages on fixed assets used in business	—	125	70	—	—	39
Mortgages on fixed assets not used in business	—	—	—	358	—	95
Total fixed liabilities	—	**125**	**70**	**358**	—	**134**
Other liabilities	—	85	47	1,945	393	615
Total liabilities	**1,503**	**2,352**	**1,978**	**7,231**	**8,290**	**4,501**
Net worth: proprietor's or partners' equity in the business	5,333	8,567	7,145	8,354	31,190	11,742
Total liabilities and net worth	**6,836**	**10,919**	**9,123**	**15,585**	**39,480**	**16,243**
Average net sales of garages reporting	31,443	31,898	31,698	66,562	160,944	63,972
Number of garages reporting	11	14	25	12	8	45

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES

1956

Published by Authority of

The Honourable Gordon Churchill, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

A — Wholesale Trade, 25¢
*B — Operating Results of Food Wholesalers, 25¢
*C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
*D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
2 Operating Results of Drug Wholesalers, 25¢
3 Operating Results of Hardware Wholesalers, 25¢
4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

F — Retail Trade, 50¢
G — Retail Chain Stores, 50¢
*H — Operating Results of Food Store Chains, 25¢
* I — Operating Results of Clothing Store Chains, 25¢
* J — 1 Operating Results of Variety Store Chains, 25¢
2 Operating Results of Drug Store Chains, 25¢
3 Operating Results of Furniture Store Chains, 25¢
K — Operating Results of Independent Food Stores, 25¢
L — Operating Results of Independent Clothing Stores, 25¢
M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
N — Operating Results of Filling Stations and Garages, 25¢
O — 1 Operating Results of Independent General Stores, 25¢
2 Operating Results of Independent Restaurants, 25¢
3 Operating Results of Independent Fuel Dealers, 25¢
4 Operating Results of Independent Drug Stores, 25¢
5 Operating Results of Independent Jewellery Stores, 25¢
6 Operating Results of Independent Tobacco Stores, 25¢
P — Retail Credit, 25¢

Part III — Services and Special Fields

Q — Laundries, Cleaners and Dyers, 25¢
R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
S — Hotels, 25¢
T — Sales Financing, 25¢
U — Farm Implement and Equipment Sales, 25¢
V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
W — Advertising Agencies (Memorandum), 10¢
X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1956.

CONTENTS

DEFINITIONS

Profit and Loss

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases – are taken at invoice value less returns and allowances cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" (in unincorporated store operations).

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), and amount paid for contract delivery.

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – Payments for use of business premises, including rentals of warehouses and garages, etc.

Heat, light and power – cost applicable to year's operations.

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances – provision for decrease in the value of fixed store assets.

Office and store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income – interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense – interest expense, rental expense, any other expense not pertaining to the business.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash, and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities – are obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities – mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities – long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth – Unincorporated business – the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

– Incorporated business – net worth is shown in two parts:
(1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and
(2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios – Each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivables) can result in a stronger or more favourable ratio.

Liquidity Ratio – Current Assets less Merchandise Inventory ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio – Net Worth ÷ Total Liabilities – If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES, 1956

INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail operators for the trades covered. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail business or the prospective operator might well study these averages. Not all failures in business, however, come from the "new-owner" group. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established business, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report:

1. Filling Stations.
2. Garages.

There are analyses of:

1. profit and loss statements
2. balance sheet statements.

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories. This 1956 report, for the first time, shows information on "other income" and "other expense". The segregation of these improves the quality of the ratios for net operating profit in that there is little chance of a "net" of these two items being included in operating profit.

Balance sheet data, which were introduced in 1948, are continued in this 1956 study. This information is presented by sales-size and kind of occupancy groups for business with $20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales, than was possible when all fixed assets of the proprietor were reported as one item.

FILLING STATIONS

This survey of unincorporated independent service stations covers only establishments selling mainly gas, oil, parts and accessories, tires and tubes, and also performing service and repairs. The sale of gas and oil must constitute 67% or more of total net sales.

Ratios and averages for these establishments were presented for both profit and loss and balance sheet. Reports used in this study numbered 341 (113 owned 228 rented stations). A slightly smaller number was used for the balance sheet tabulation, due to the fact that establishments in the lowest sales-sizes were not required to furnish the balance sheet information. Results are shown by sales-size categories and, where possible, a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales-size ratios were com-

bined by giving each size category its proper "weight" as obtained from the 1951 census. In this survey the reporting is generally better in the larger size filling stations so that any aggregate of reporting firms would show a ratio biased toward the characteristics of large establishment operation. The use of weighting gives proper importance to small firm operations so that the ratios shown in the summary table below more truly represent the trade total.

Filling stations operated on a slightly lower gross profit ratio in 1956 than they did in 1954, less than one half of one per cent. The total operating expense ratio increased almost one per cent over the last (1954) survey. The marginal profit decline intensified by the expense ratio increase, contributed to the net operated profit decrease in 1956. The remaining profit before deduction of proprietors' salaries and income tax was 6.97 per cent this year against 7.10 per cent in 1954.

TABLE 1. Operating Results of Filling Stations 1954 and 1956 Compared

Item	1954	1956
	(per cent of net sales	
Gross Profit	**20.80**	**20.76**
Operating expenses:		
Employees' salaries	6.61	6.35
Occupancy	4.64	4.88
Office and store Supplies	0.32	0.30
Advertising	0.28	0.31
All other expenses	1.85	1.95
Total operating expenses	**13.70**	**13.79**
Net operating profit before deduction of proprietors' salaries and income tax	**7.10**	**6.97**

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stations. They do not agree with ratios shown in historical tables.

TABLE 2. Filling Stations — Balance Sheet Ratios as at December 31.

Item [1]		Owned	Rented
Current Ratio	1948	3.17	3.66
	1950	2.36	3.33
	1952	3.71	3.22
	1954	2.83	2.92
	1956	2.45	3.25
Liquidity ratio	1952	2.42	2.11
	1954	1.99	1.95
	1956	1.73	2.08
Working Capital to Net Worth ratio	1948	0.35	0.69
	1950	0.34	0.67
	1952	0.38	0.66
	1954	0.32	0.61
	1956	0.30	0.62
Worth Debt ratio	1948	3.57	3.33
	1950	2.17	2.56
	1952	2.82	2.59
	1954	2.52	2.24
	1956	1.88	2.07
Turnover of total capital employed	1952	3.14	8.76
	1954	3.45	8.18
	1956	3.21	7.89

1. Ratio definitions are shown on page 6.

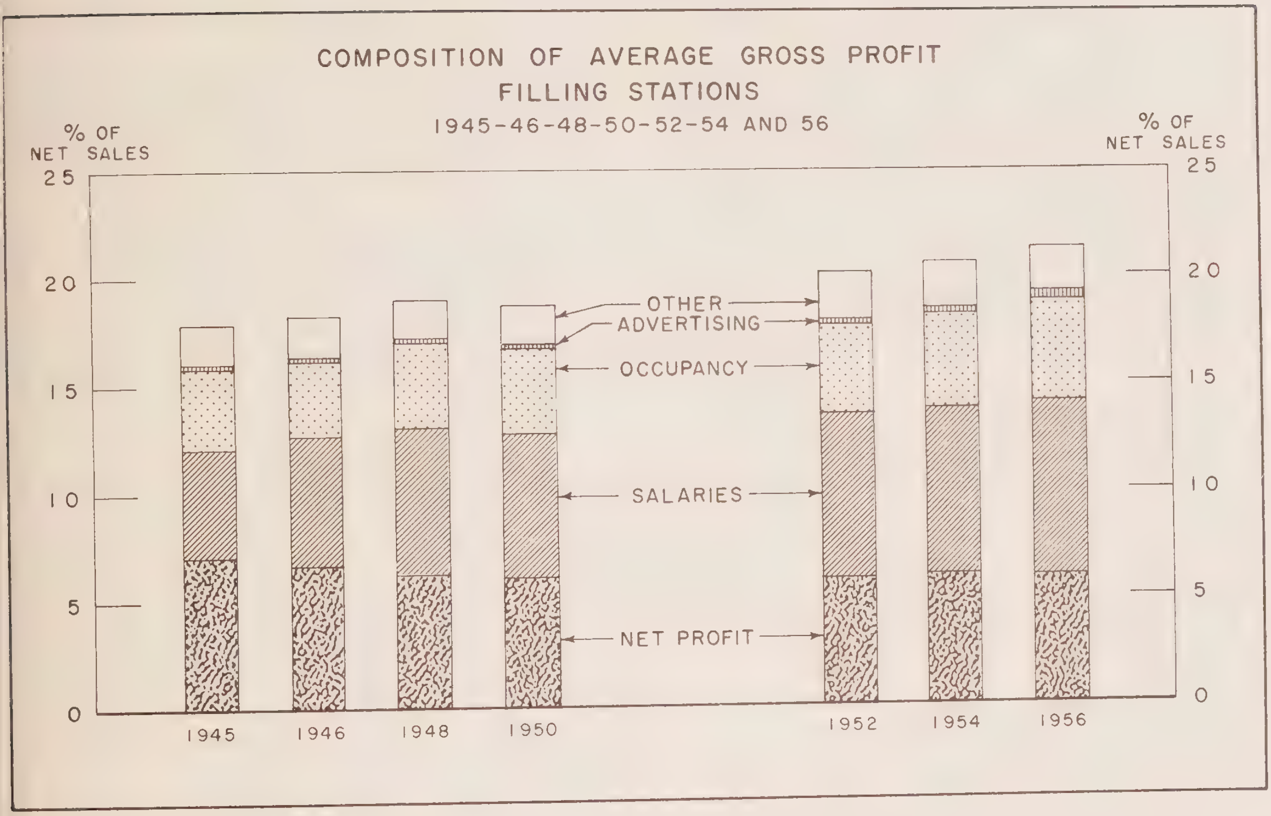

TABLE 3. Independent Filling Stations – Operating Results by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stations with annual net sales of				Rented stations with annual net sales of		
	$10,000–$19,999	$20,000–$49,999	$50,000–$99,999	$100,000 and over	$20,000–$49,999	$50,000–$99,999	$100,000 and over
Number of stations reporting	13	47	35	16	35	116	77
Average net sales per station $	15,647	34,474	74,706	184,577	36,465	74,230	152,999
Average beginning inventory $	1,722	1,343	2,415	4,090	1,647	2,198	4,043
Average inventory, end of year $	1,800	1,348	2,906	4,114	1,892	2,409	4,637
Average cost of goods sold $	12,673	28,118	59,295	149,897	28,241	57,868	119,446
Stock turnover (times per year)	–	–	–	–	–	–	–
Profit and loss data (Per cent of net sales)							
Gross profit	**19.01**	**18.44**	**20.63**	**18.79**	**22.55**	**22.04**	**21.93**
Operating expenses:							
Executives' and employees' salaries and wages etc. except delivery)	0.94	3.45	7.53	8.10	5.55	7.66	9.70
Occupancy expenses:							
Taxes	0.80	0.83	0.62	0.43	0.35	0.30	0.31
Insurance	0.70	0.47	0.41	0.27	0.36	0.31	0.27
Rent	–	–	–	–	3.60	2.92	2.68
Heat, light and power	1.82	1.13	0.79	0.58	1.02	0.85	0.63
Repairs and maintenance	1.00	0.78	0.57	0.49	0.34	0.33	0.32
Depreciation allowances	0.49	1.66	1.18	1.20	0.62	0.57	0.55
Total occupancy expenses	**4.81**	**4.87**	**3.57**	**2.97**	**6.29**	**5.28**	**4.76**
Office and store supplies	0.46	0.21	0.27	0.16	0.30	0.35	0.32
Advertising	0.38	0.19	0.26	0.35	0.29	0.34	0.45
Net loss on bad debts	0.21	0.08	0.29	0.11	0.15	0.11	0.09
All other expenses	2.16	1.85	1.71	1.94	2.01	1.67	1.71
Total operating expenses	**8.96**	**10.65**	**13.63**	**13.63**	**14.59**	**15.41**	**17.03**
Net operating profit	**10.05**	**7.79**	**7.00**	**5.16**	**7.96**	**6.63**	**4.90**
Non-trading income	0.64	0.83	0.54	0.52	0.20	0.22	0.13
Non-trading expense	–	0.09	0.12	–	0.15	0.07	0.02
Net profit before deduction of proprietors' salaries and income tax	**10.69**	**8.53**	**7.42**	**5.68**	**8.01**	**6.78**	**5.01**

TABLE 4. Independent Filling Stations — Owned — Financial Structure by Size and Age of Business as at December 31, 1956

Item	Stations with annual net sales of									
	$20,000—$49,999			$50,000—$99,999			$100,000 and over			Total all sizes $20,000 and over
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(average per station)									
Current assets:										
Cash on hand and in bank	1,217	2,874	2,364	2,787	4,049	3,743	4,098	3,749	3,902	3,161
Accounts and notes receivable (net)	1,128	576	746	3,694	3,048	3,205	5,931	4,748	5,266	2,490
Merchandise inventory	1,113	1,518	1,393	3,395	2,958	3,064	3,351	4,706	4,113	2,514
Other current assets	424	220	283	—	504	382	412	809	635	384
Total current assets	**3,882**	**5,188**	**4,786**	**9,876**	**10,559**	**10,394**	**13,792**	**14,012**	**13,916**	**8,549**
Fixed assets (net):										
Used in the business	16,919	5,386	8,935	15,690	10,634	11,859	37,919	32,466	34,851	14,744
Not used in the business	667	1,009	903	2,049	802	1,105	—	7,009	3,943	1,531
Total fixed assets (net)	**17,586**	**6,395**	**9,838**	**17,739**	**11,436**	**12,964**	**37,919**	**39,475**	**38,794**	**16,275**
Other assets:										
Long term investments	—	—	—	616	2,652	2,158	429	—	187	844
Other assets	83	104	97	—	231	175	534	—	234	151
Total other assets	**83**	**104**	**97**	**616**	**2,883**	**2,333**	**963**	**—**	**421**	**995**
Total assets	**21,551**	**11,687**	**14,721**	**28,231**	**24,878**	**25,691**	**52,674**	**53,487**	**53,131**	**25,819**
Liabilities										
Current liabilities:										
Accounts and notes payable	2,570	747	1,308	3,197	3,052	3,087	7,811	11,094	9,658	3,493
Fixed liabilities:										
Mortgages on fixed assets used in business	6,093	682	2,347	8,534	1,781	3,418	10,862	6,927	8,649	3,894
Mortgages on fixed assets not used in business	375	—	115	780	305	420	—	4,075	2,292	626
Total fixed liabilities	**6,468**	**682**	**2,462**	**9,314**	**2,086**	**3,838**	**10,862**	**11,002**	**10,941**	**4,520**
Other liabilities	1,458	61	491	1,054	452	599	5,045	1,139	2,848	960
Total liabilities	**10,496**	**1,490**	**4,261**	**13,565**	**5,590**	**7,524**	**23,718**	**23,235**	**23,447**	**8,973**
Net worth: Proprietor's or partners' equity in the business	11,055	10,197	10,460	14,666	19,288	18,167	28,956	30,252	29,684	16,846
Total liabilities and net worth	**21,551**	**11,687**	**14,721**	**28,231**	**24,878**	**25,691**	**52,674**	**53,487**	**53,131**	**25,819**
Average net sales of stations reporting	37,630	35,004	35,812	76,256	76,110	76,145	215,880	160,230	184,577	77,985
Number of stations reporting	12	27	39	8	25	33	7	9	16	88

TABLE 5. Independent Filling Stations — Rented — Financial Structure by Size and Age of Business as at December 31, 1956

Item	Stations with annual net sales of									
	$20,000—$49,999			$50,000—$99,999			$100,000 and over			Total all sizes $20,000 and over
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(average per station)									
Current assets:										
Cash on hand and in bank	1,038	1,566	1,256	1,398	2,952	2,153	2,519	4,110	3,347	2,454
Accounts and notes receivable (net)	1,076	1,250	1,148	1,947	2,059	2,001	3,125	4,079	3,621	2,460
Merchandise inventory	1,359	2,744	1,933	2,583	2,282	2,437	4,595	4,719	4,659	3,158
Other current assets	104	788	387	286	713	494	675	1,290	995	657
Total current assets	**3,577**	**6,348**	**4,724**	**6,214**	**8,006**	**7,085**	**10,914**	**14,198**	**12,622**	**8,729**
Fixed assets (net):										
Used in the business	1,473	1,791	1,604	2,590	1,817	2,214	3,393	4,538	3,989	2,761
Not used in the business	529	583	552	1,822	3,156	2,470	1,225	2,922	2,107	2,077
Total fixed assets (net)	**2,002**	**2,374**	**2,156**	**4,412**	**4,973**	**4,684**	**4,618**	**7,460**	**6,096**	**4,838**
Other assets:										
Long term investments	90	—	52	734	307	527	—	1,559	810	562
Other assets	364	—	214	312	113	215	1,000	52	507	319
Total other assets	**454**	**—**	**266**	**1,046**	**420**	**742**	**1,000**	**1,611**	**1,317**	**881**
Total assets	**6,033**	**8,722**	**7,146**	**11,672**	**13,399**	**12,511**	**16,532**	**23,269**	**20,035**	**14,448**
Liabilities										
Current liabilities:										
Accounts and notes payable	1,370	1,072	1,246	2,292	2,309	2,300	4,334	3,274	3,783	2,682
Fixed liabilities:										
Mortgages on fixed assets used in business	14	233	105	169	842	496	957	1,250	1,110	661
Mortgages on fixed assets not used in business	—	—	—	816	58	448	157	1,070	631	451
Total fixed liabilities	**14**	**233**	**105**	**985**	**900**	**944**	**1,114**	**2,320**	**1,741**	**1,112**
Other liabilities	1,242	1,255	1,247	1,016	852	936	838	653	742	910
Total liabilities	**2,626**	**2,560**	**2,598**	**4,293**	**4,061**	**4,180**	**6,286**	**6,247**	**6,266**	**4,704**
Net worth: Proprietor's or partners' equity in the business	3,407	6,162	4,548	7,379	9,338	8,331	10,246	17,022	13,769	9,744
Total liabilities and net worth	**6,033**	**8,722**	**7,146**	**11,672**	**13,399**	**12,511**	**16,532**	**23,269**	**20,035**	**14,448**
Average net sales of stations reporting	37,481	34,944	36,431	76,229	73,035	74,677	141,071	165,999	154,033	97,628
Number of stations reporting	17	12	29	55	52	107	36	39	75	211

INDEPENDENT GARAGES

This survey of independent garages covers only establishments engaged in making repairs or performing other services in addition to the sale of gas, oil, accessories and parts. Either one of the following two requirements must be fulfilled:

(a) Receipts from repair work and other services must constitute 25% to 50% of total trade, if exceeding 50% not classified as a garage.

(b) If less than 25%, the sale of parts and accessories should constitute at least 33% of total trade as should the sale of gas and oil.

Authorized motor vehicle dealers are not included.

Ratios and averages for unincorporated garages are presented for both profit and loss and balance sheet. Reports used in this study numbered 194 (124 owned and 70 rented garages). A slightly smaller number was used for the balance sheet tabulation, due to the fact that garages in the lowest sales sizes were not required to furnish the balance sheet information. Results are shown by sales-size categories and, where possible, a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales-size ratios were combined by giving each size category its proper "weight" as obtained from the 1951 census. In this survey the reporting is generally better in the larger size garages so that any aggregate of reporting firms would show a ratio biased toward the characteristics of large establishment operation. The use of weighting gives proper importance to small firm operations so that the ratios shown in the summary table below more truly represent the trade total.

Garages operated on a higher gross profit ratio in 1956 than they did in 1954, nearly a three per cent marginal gain. Total operating expenses also increased over 1954, an increase of more than two per cent, which was not enough to offset the initial profit; the result was a net operating profit gain of approximately one per cent. The net profit before deduction of proprietors' salaries and income tax was 9.45 per cent in 1954 and 10.27 per cent this year.

TABLE 6. Operating Results of Garages, 1954 and 1956 Compared

Item	1954	1956
	(per cent of net sales)	
Gross Profit	**30.59**	**33.56**
Operating expenses:		
Employees' salaries	11.40	12.88
Occupancy	5.70	6.17
Office and store supplies	0.44	0.43
Advertising	0.36	0.44
All other expenses	3.24	3.37
Total operating expenses	**21.14**	**23.29**
Net operating profit before deduction of proprietors' salaries and income tax	**9.45**	**10.27**

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent garages. They do not agree with ratios shown in historical tables.

TABLE 7. Garages – Balance Sheet Ratios as at December 31

Item[1]		Owned	Rented
Current ratio	1948	2.43	3.22
	1950	2.16	2.07
	1952	2.88	2.65
	1954	2.32	2.91
	1956	2.61	3.55
Liquidity ratio	1952	1.79	1.84
	1954	1.39	2.07
	1956	1.56	2.63
Working Capital to net worth ratio	1948	0.39	0.63
	1950	0.38	0.60
	1952	0.40	0.61
	1954	0.39	0.61
	1956	0.38	0.57
Worth debt ratio	1948	2.44	2.70
	1950	1.79	1.37
	1952	2.05	2.24
	1954	1.73	2.61
	1956	1.62	2.51
Turnover of total capital employed	1952	2.54	4.16
	1954	2.52	3.99
	1956	2.21	3.92

1. Ratio definitions are shown on page 6.

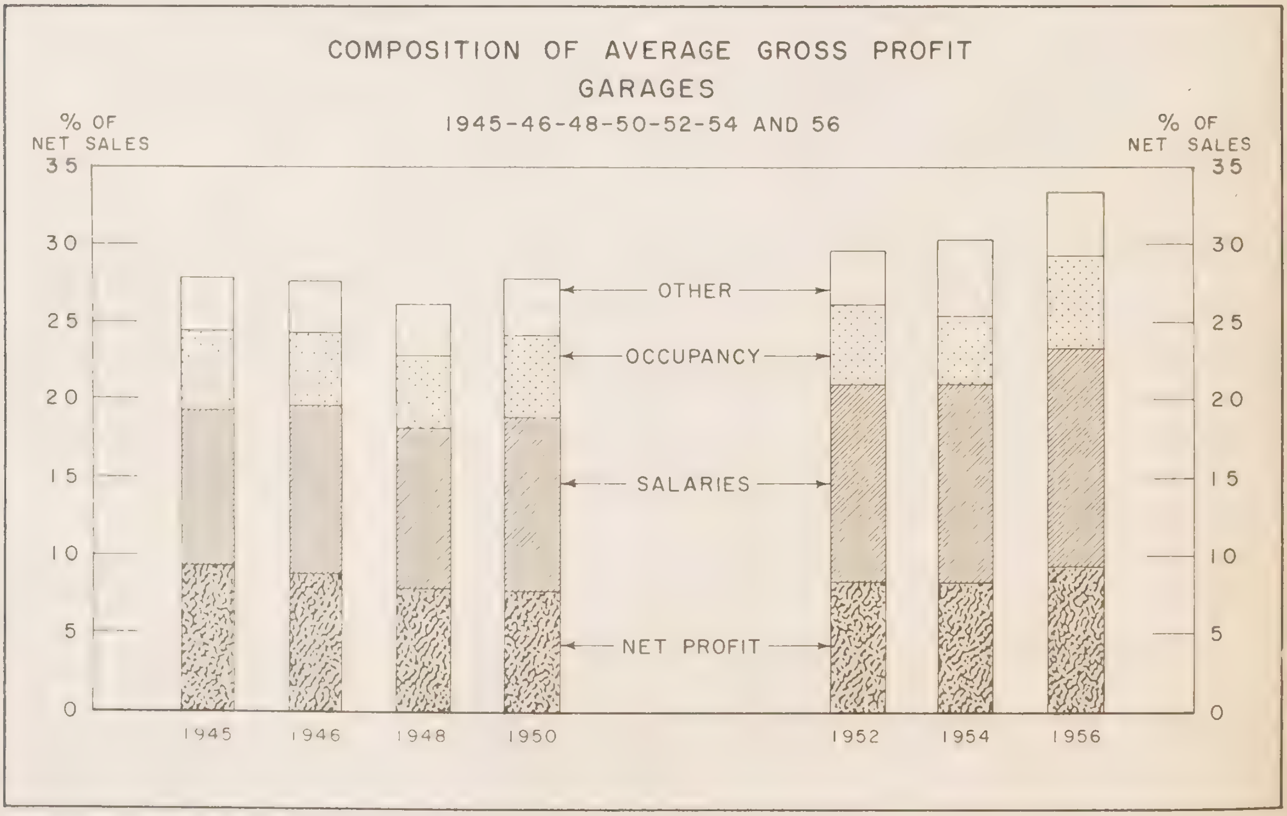

TABLE 8. Independent Garages — Operating Results by Annual Sales Volume and Occupancy Basis 1956

Item	Owned garages with annual net sales of					Rented garages with annual net sales of			
	Under $10,000	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of garages reporting	13	20	53	27	11	8	34	16	9
Average net sales per garage $	7,738	16,106	32,856	72,142	131,952	15,461	34,517	67,156	167,715
Average beginning inventory $	867	2,145	2,595	4,406	10,390	524	1,875	3,007	4,076
Average inventory, end of year $	804	2,254	2,654	4,513	10,328	523	1,895	2,984	5,132
Average cost of goods sold $	4,552	10,311	21,993	50,287	85,894	8,750	21,373	45,971	114,307
Stock turnover (times per year)	5.45	4.69	8.38	11.28	8.29	16.71	11.34	15.35	24.83
Profit and loss data (per cent of net sales)									
Gross profit	**41.17**	**35.98**	**33.06**	**30.29**	**34.90**	**43.41**	**38.08**	**31.54**	**31.84**
Operating expenses:									
Executives' and employees' salaries and wages etc. (except delivery)	1.76	8.52	10.94	14.63	18.72	5.71	12.54	13.53	16.49
Occupancy expenses:									
Taxes	2.09	1.06	1.14	0.78	0.78	0.73	0.46	0.30	0.24
Insurance	1.00	0.96	0.92	0.60	0.91	0.67	0.65	0.48	0.44
Rent	—	—	—	—	—	4.13	3.43	2.96	2.09
Heat, light and power	2.91	2.03	1.59	0.99	1.06	1.56	1.17	0.90	0.68
Repairs and maintenance	0.64	0.84	0.92	0.44	0.55	0.54	0.85	0.48	0.45
Depreciation allowances	2.75	1.41	2.57	1.91	1.25	1.94	1.12	0.98	0.84
Total occupancy expenses	**9.39**	**6.30**	**7.14**	**4.72**	**4.55**	**9.57**	**7.68**	**6.10**	**4.74**
Office and store supplies	0.76	0.35	0.39	0.45	0.46	0.44	0.39	0.50	0.49
Advertising	0.32	0.25	0.38	0.34	0.71	0.18	0.49	0.38	0.85
Net loss on bad debts	0.08	0.18	0.24	0.43	0.61	0.16	0.21	0.31	0.31
All other expenses	5.12	3.66	3.04	2.59	3.46	4.21	3.32	1.59	2.29
Total operating expenses	**17.43**	**19.26**	**22.13**	**23.16**	**28.51**	**20.27**	**24.63**	**22.41**	**25.17**
Net operating profit	**23.74**	**16.72**	**10.93**	**7.13**	**6.39**	**23.14**	**13.45**	**9.13**	**6.67**
Non-trading income	4.81	0.51	0.88	0.60	0.27	—	0.25	0.09	0.29
Non-trading expense	0.04	0.06	0.30	0.29	—	—	0.05	—	0.05
Net profit before deduction of proprietors' salaries and income tax	**28.51**	**17.17**	**11.51**	**7.44**	**6.66**	**23.14**	**13.65**	**9.22**	**6.91**

TABLE 9. Independent Garages — Owned — Financial Structure by Size and Age of Business as at December 31, 1956

Item	Garages with annual net sales of							
	$20,000-$49,999			$50,000-$99,999			$100,000 and over	Total all sizes $20,000 and over
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets	(average per garage)							
Current assets:								
Cash on hand and in bank	806	1,841	1,562	4,929	1,972	2,769	2,563	2,039
Accounts and notes receivable (net)	1,981	1,731	1,798	4,183	5,020	4,794	10,727	3,777
Merchandise inventory	2,127	2,879	2,677	3,729	4,840	4,541	10,328	4,167
Other current assets	731	415	500	175	134	145	829	437
Total current assets	**5,645**	**6,866**	**6,537**	**13,016**	**11,966**	**12,249**	**24,447**	**10,420**
Fixed assets (net):								
Used in the business	15,554	10,299	11,713	20,946	12,460	14,745	23,331	14,035
Not used in the business	2,178	1,915	1,986	1,143	676	802	3,818	1,866
Total fixed assets (net)	**17,732**	**12,214**	**13,699**	**22,089**	**13,136**	**15,547**	**27,149**	**15,901**
Other assets:								
Long term investments	—	512	375	89	53	62	6,715	1,067
Other assets	70	2	20	—	366	268	899	201
Total other assets	**70**	**514**	**395**	**89**	**419**	**330**	**7,614**	**1,268**
Total assets	**23,447**	**19,594**	**20,631**	**35,194**	**25,521**	**28,126**	**59,210**	**27,589**
Liabilities								
Current liabilities:								
Accounts and notes payable	2,400	1,616	1,827	2,859	3,711	3,482	15,465	3,996
Fixed liabilities:								
Mortgages on fixed assets used in business	5,952	1,748	2,880	11,933	3,132	5,501	12,430	4,826
Mortgages on fixed assets not used in business	581	661	639	—	—	—	—	373
Total fixed liabilities	**6,533**	**2,409**	**3,519**	**11,933**	**3,132**	**5,501**	**12,430**	**5,199**
Other liabilities	884	634	702	4,184	1,312	2,085	2,569	1,337
Total liabilities	**9,817**	**4,659**	**6,048**	**18,976**	**8,155**	**11,068**	**30,464**	**10,532**
Net worth: Proprietor's or partners' equity in the business	13,630	14,935	14,583	16,218	17,366	17,058	28,746	17,057
Total liabilities and net worth	**23,447**	**19,594**	**20,631**	**35,194**	**25,521**	**28,126**	**59,210**	**27,589**
Average net sales of garages reporting	34,913	32,372	33,057	69,960	73,567	72,596	131,952	56,830
Number of garages reporting	14	38	52	7	19	26	11	89

TABLE 10. Independent Garages — Rented — Financial Structure by Size and Age of Business as at December 31, 1956

Item	Garages with annual net sales of							
	$20,000-$49,999			$50,000-$99,999			$100,000 and over	Total all sizes $20,000 and over
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	(average per garage)							
Assets								
Current assets:								
Cash on hand and in bank	1,370	2,131	1,669	3,372	3,113	3,234	6,864	2,944
Accounts and notes receivable (net)	1,650	3,193	2,256	2,943	4,761	3,913	10,575	4,048
Merchandise inventory	1,198	2,563	1,734	3,549	2,745	3,120	5,498	2,732
Other current assets	5	1,952	770	2,284	—	1,066	229	772
Total current assets	**4,223**	**9,839**	**6,429**	**12,148**	**10,619**	**11,333**	**23,166**	**10,496**
Fixed assets (net):								
Used in the business	3,997	2,057	3,235	2,862	2,679	2,764	13,759	4,748
Not used in the business	1,671	2,173	1,868	1,000	—	467	4,134	1,811
Total fixed assets (net)	**5,668**	**4,230**	**5,103**	**3,862**	**2,679**	**3,231**	**17,893**	**6,559**
Other assets:								
Long term investments	—	18	7	1,000	—	467	6,928	1,228
Other assets	146	—	89	388	725	567	—	216
Total other assets	**146**	**18**	**96**	**1,388**	**725**	**1,034**	**6,928**	**1,444**
Total assets	**10,037**	**14,087**	**11,628**	**17,398**	**14,023**	**15,598**	**47,987**	**18,499**
Liabilities								
Current liabilities:								
Accounts and notes payable	1,588	2,415	1,913	2,704	1,787	2,215	8,001	2,957
Fixed liabilities:								
Mortgages on fixed assets used in business	1,388	68	869	—	—	—	1,191	664
Mortgages on fixed assets not used in business	524	—	318	—	—	—	2,750	606
Total fixed liabilities	**1,912**	**68**	**1,187**	—	—	—	**3,941**	**1,270**
Other liabilities	146	628	336	526	1,358	970	3,661	1,044
Total liabilities	**3,646**	**3,111**	**3,436**	**3,230**	**3,145**	**3,185**	**15,603**	**5,271**
Net worth: Proprietor's or partners' equity in the business	6,391	10,976	8,192	14,168	10,878	12,413	32,384	13,228
Total liabilities and net worth	**10,037**	**14,087**	**11,628**	**17,398**	**14,023**	**15,598**	**47,987**	**18,499**
Average net sales of garages reporting	36,628	34,257	35,696	63,883	69,204	66,721	167,114	65,436
Number of garages reporting	17	11	28	7	8	15	8	51

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OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES

1959

(Independent)

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63-415	Operating Results and Financial Structure of Independent Tobacco Stores	.50

Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.

TABLE OF CONTENTS

OPERATING RESULTS AND FINANCIAL STRUCTURE OF FILLING STATIONS AND GARAGES

1959

INTRODUCTION

This report is a continuation of the practice of the Dominion Bureau of Statistics to publish operating results and financial structure for selected trades primarily as a guide for retailers. The averages and ratios that are shown in this report can be used as a standard by which businessmen can compare their own operating experience. The pattern of expense and financial ratios by size and age of business permits direct analysis of operating results for the year. It should be borne in mind, however, that the averages and ratios as published in this report do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

Although this report is similar to the previous operating results reports issued for this trade, some slight changes have been made in the presentation and quantity of information in order to increase its value to the user. In table 1, the historical series of major operating ratios is shown for an increased number of years. It is hoped that this change will enable the users to more readily compare the trends in operating with their own experiences during the years. It should be mentioned that the data in Table 1 and 6 as well as the "total" column in Table 3 and Table 8 have been weighted in order to arrive at ratios which are representative of the trade as a whole. Weights are assigned to the ratios in each sales-size category in relation to its position in the sales picture as found in the 1951 Census. Averages and ratios in the tables not indicated as being weighted represent the actual averages and ratios obtained from the reporting panel of firms in each cell.

Note: Profit and loss and balance sheet definitions are shown on pages 12 and 13.

INDEPENDENT FILLING STATIONS

This survey of unincorporated independent filling stations covers only establishments selling mainly gasoline, oil, parts and accessories, tires and tubes. They also perform service and repairs but the sale of gasoline and oil must constitute 67% or more of total net sales.

TABLE 1. Operating Results of Unincorporated Independent Filling Stations, 1952-59

Item	1952	1954	1956	1959
	per cent of net sales			
Gross profit	**19.70**	**20.80**	**20.76**	**22.34**
Operating expenses:				
Employees' salaries	6.28	6.61	6.35	7.19
Occupancy	4.19	4.64	4.88	4.97
Office and store supplies	0.39	0.32	0.30	0.19
Advertising	0.22	0.28	0.31	0.32
All other expenses	1.65	1.85	1.95	2.00
Total operating expenses	**12.73**	**13.70**	**13.79**	**14.67**
Net operating profit before deduction of proprietors' salaries and income tax and addition of net non-trading income	**6.97**	**7.10**	**6.97**	**7.67**

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 2. Unincorporated Independent Filling Stations — Balance Sheet Ratios as at December 31, 1952-59

Item	1952	1954	1956	1959
Current ratio — Owned	3.71	2.83	2.45	3.70
Rented	3.22	2.92	3.25	3.43
Liquidity ratio — Owned	2.42	1.99	1.73	2.50
Rented	2.11	1.95	2.08	2.10
Working capital to net worth ratio — Owned	0.38	0.32	0.30	0.39
Rented	0.66	0.61	0.62	0.62
Worth debt ratio — Owned	2.82	2.52	1.88	2.20
Rented	2.59	2.24	2.07	2.74
Turnover of total capital employed — Owned	3.14	3.45	3.21	2.91
Rented	8.76	8.18	7.89	8.44

Note: see page 12 for definitions.

TABLE 3. Independent Filling Stations – Operating Results of Unincorporated Establishments by Annual Sales Volume and Occupancy Basis, 1959

Item		Owned establishments with annual net sales of			Rented establishments with annual net sales of			Total[1]
		$20,000 - 49,999	$50,000 - 99,999	$100,000 and over	$20,000 - 49,999	$50,000 - 99,999	$100,000 and over	
Number of establishments reporting		27	16	13	14	67	50	197
Average net sales per establishment	$	33,599	76,208	127,805	35,443	75,312	158,863	72,122
Average beginning inventory	$	1,951	3,819	4,832	1,214	3,523	5,147	3,065
Average inventory, end of year	$	2,138	3,957	5,163	1,357	3,068	5,360	3,085
Average cost of goods sold	$	26,493	61,859	96,697	27,494	57,132	122,891	55,792
Stock turnover (times per year)		12.96	15.91	19.35	21.40	17.34	23.39	18.14
Profit and loss data (Per cent of net sales)								
Gross profit		**21.15**	**18.83**	**24.34**	**22.43**	**24.14**	**22.64**	**22.34**
Operating expenses:								
Employees' salaries and wages (except delivery)		3.92	6.83	10.69	5.16	9.55	10.07	7.19
Occupancy expenses:								
Taxes		0.89	0.78	0.83	0.55	0.44	0.34	0.64
Insurance		0.64	0.54	0.62	0.31	0.33	0.31	0.45
Rent		—	—	—	2.73	3.31	3.03	1.67
Light, heat and power		1.21	0.81	0.63	1.05	0.88	0.62	1.02
Repairs and maintenance		0.61	0.52	0.45	0.32	0.33	0.30	0.41
Depreciation allowances		1.35	1.26	1.19	0.51	0.54	0.51	0.78
Total occupancy expenses		**4.70**	**3.91**	**3.72**	**5.47**	**5.83**	**5.11**	**4.97**
Office and store supplies		0.15	0.20	0.13	0.19	0.21	0.25	0.19
Advertising		0.28	0.27	0.52	0.36	0.33	0.39	0.32
Net loss on bad debts		0.04	0.11	0.16	0.36	0.10	0.10	0.12
All other expenses		2.08	2.03	2.67	1.39	1.85	1.99	1.88
Total operating expenses		**11.17**	**13.35**	**17.89**	**12.93**	**17.87**	**17.91**	**14.67**
Net operating profit		**9.98**	**5.48**	**6.45**	**9.50**	**6.27**	**4.73**	**7.67**
Non-trading income		0.97	0.25	0.39	0.20	0.42	0.27	0.44
Non-trading expense		0.14	—	—	0.10	0.08	0.03	0.07
Net profit before deduction of proprietors' salaries and income tax		**10.81**	**5.73**	**6.84**	**9.60**	**6.61**	**4.97**	**8.04**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 4. Independent Filling Stations – Owned – Financial Structure of Unincorporated Establishments by Size of Business as at December 31, 1959

Item	Establishments with annual net sales of			Total all sizes $20,000 and over
	$20,000 - 49,999	$50,000 - 99,999	$100,000 and over	
	average per establishment (dollars)			
Assets				
Current assets:				
Cash on hand and in bank	1,566	4,305	5,606	3,332
Accounts and notes receivable (net)	1,242	3,483	5,435	2,905
Merchandise inventory	2,223	3,743	5,168	3,376
Other current assets	377	2,162	87	811
Total current assets	**5,408**	**13,693**	**16,296**	**10,424**
Fixed assets (net):				
Used in the business	7,915	12,024	25,034	13,277
Not used in the business	2,710	4,332	4,987	3,728
Total fixed assets (net)	**10,625**	**16,356**	**30,021**	**17,005**
Other assets:				
Long term investments	767	—	857	572
Other assets	257	380	3	229
Total other assets	**1,024**	**380**	**860**	**801**
Total assets	**17,057**	**30,429**	**47,177**	**28,230**
Liabilities				
Current liabilities:				
Accounts and notes payable	1,179	3,151	5,580	2,817
Fixed liabilities:				
Mortgages on fixed assets used in the business	1,597	3,884	9,748	4,243
Mortgages on fixed assets not used in the business	1,042	276	1,055	828
Total fixed liabilities	**2,639**	**4,160**	**10,803**	**5,071**
Other liabilities	686	301	2,192	947
Total liabilities	**4,504**	**7,612**	**18,575**	**8,835**
Net worth: Proprietors' equity in the business	12,553	22,817	28,602	19,395
Total liabilities and net worth	**17,057**	**30,429**	**47,177**	**28,230**
Average net sales of establishments reporting	36,400	74,662	127,805	69,649
Number of establishments reporting	25	15	13	53

TABLE 5. Independent Filling Stations – Rented – Financial Structure of Unincorporated Establishments by Size and Age of Business as at December 31, 1959

Item	Establishments with annual net sales of							Total all sizes $20,000 and over
	$20,000-49,999	$50,000-99,999			$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	average per establishment (dollars)							
Assets								
Current assets:								
Cash on hand and in bank	1,657	1,894	2,880	2,436	4,102	4,042	4,063	3,018
Accounts and notes receivable (net)	841	1,978	1,897	1,933	3,301	3,078	3,155	2,320
Merchandise inventory	1,253	3,004	3,211	3,118	5,717	5,192	5,374	3,847
Other current assets	167	1,290	566	891	651	700	683	735
Total current assets	**3,918**	**8,166**	**8,554**	**8,378**	**13,771**	**13,012**	**13,275**	**9,920**
Fixed assets (net):								
Used in the business	783	257	2,084	2,304	3,554	2,579	2,917	2,402
Not used in the business	2,920	653	2,141	1,471	3,223	2,642	2,843	2,171
Total fixed assets (net)	**3,703**	**3,225**	**4,225**	**3,775**	**6,777**	**5,221**	**5,760**	**4,573**
Other assets:								
Long term investments	19	56	1,866	1,051	359	1,168	887	883
Other assets	–	255	43	138	31	376	256	172
Total other assets	**19**	**311**	**1,909**	**1,189**	**390**	**1,544**	**1,143**	**1,055**
Total assets	**7,640**	**11,702**	**14,688**	**13,342**	**20,938**	**19,777**	**20,178**	**15,548**
Liabilities								
Current liabilities:								
Accounts and notes payable	875	2,760	1,998	2,341	4,615	3,752	4,052	2,888
Fixed liabilities:								
Mortgages on fixed assets used in the business	–	130	321	235	270	50	127	168
Mortgages on fixed assets not used in the business	668	535	383	452	2,026	500	1,029	707
Total fixed liabilities	**668**	**665**	**704**	**687**	**2,296**	**550**	**1,156**	**875**
Other liabilities	367	532	250	377	635	299	416	391
Total liabilities	**1,910**	**3,957**	**2,952**	**3,405**	**7,546**	**4,601**	**5,624**	**4,154**
Net worth: Proprietor's or partners' equity in the business	5,730	7,745	11,736	9,940	13,391	15,175	14,556	11,392
Total liabilities and net worth	**7,640**	**11,702**	**14,688**	**13,342**	**20,938**	**19,777**	**20,178**	**15,548**
Average net sales of establishments reporting	35,088	73,622	76,176	75,027	164,022	157,512	159,771	105,384
Number of establishments reporting	12	27	33	60	17	32	49	121

INDEPENDENT GARAGES

This survey of independent garages covers only establishments engaged in making repairs or performing other service in addition to the sale of gasoline, oil, parts and accessories. Repair work must constitute between 25% and 50% of total sales. The sale of gasoline and oil does not amount to over 33% of total trade.

TABLE 6. Operating Results of Unincorporated Independent Garages, 1952-59

Item	1952	1954	1956	1959
	per cent of net sales			
Gross profit	**29.65**	**30.59**	**33.56**	**33.19**
Operating expenses:				
Employees' salaries	11.09	11.40	12.88	12.40
Occupancy	5.35	5.70	6.17	6.09
Office and store supplies	0.58	0.44	0.43	0.36
Advertising	0.33	0.36	0.44	0.33
All other expenses	2.67	3.24	3.37	3.44
Total operating expenses	**20.02**	**21.14**	**23.29**	**22.62**
Net operating profit before deduction of proprietors' salaries and income tax and addition of net non-trading income	**9.63**	**9.45**	**10.27**	**10.57**

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 7. Unincorporated Independent Garages — Balance Sheet Ratios as at December 31, 1952-59

Item	1952	1954	1956	1959
Current ratio — Owned	2.88	2.32	2.61	3.65
Rented	2.65	2.91	3.55	3.46
Liquidity ratio — Owned	1.79	1.39	1.56	2.40
Rented	1.84	2.07	2.63	2.57
Working capital to net worth ratio — Owned	0.40	0.39	0.38	0.40
Rented	0.61	0.61	0.57	0.55
Worth debt ratio — Owned	2.05	1.73	1.62	2.55
Rented	2.24	2.61	2.51	2.61
Turnover of total capital employed — Owned	2.54	2.52	2.21	2.52
Rented	4.16	3.99	3.92	4.81

Note: See page 12 for definitions.

TABLE 8. Independent Garages — Operating Results of Unincorporated Establishments by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of					Rented stores with annual net sales of			Total[1]
	Under $10,000	$10,000-19,999	$20,000-49,999	$50,000-99,999	$100,000 and over	$20,000-49,999	$50,000-99,999	$100,000 and over	
Number of establishments reporting	10	14	50	28	12	19	15	10	163
Average net sales per establishment $	6,641	16,412	34,871	69,615	166,448	32,753	70,082	145,471	66,666
Average beginning inventory $	1,299	2,040	2,461	3,351	10,915	2,178	2,881	4,658	3,950
Average inventory, end of year $	1,537	2,010	2,529	3,628	11,216	2,094	2,997	4,566	4,078
Average cost of goods sold $	3,917	10,582	23,049	46,168	119,902	20,661	48,634	100,299	45,837
Stock turnover (times per year)	2.76	5.23	9.24	13.23	10.84	9.67	16.55	21.75	11.42
Profit and loss data (Per cent of net sales)									
Gross profit	**41.01**	**35.52**	**33.90**	**33.68**	**27.96**	**36.92**	**30.60**	**31.05**	**33.19**
Operating expenses:									
Employees' salaries and wages (except delivery)	3.14	7.71	11.33	16.23	14.42	12.69	11.44	14.19	12.40
Occupancy expenses:									
Taxes	2.53	1.62	1.29	1.07	0.70	0.52	0.36	0.31	1.05
Insurance	2.29	1.00	0.76	0.96	0.74	0.65	0.51	0.52	0.82
Rent	—	—	—	—	—	3.32	2.84	2.70	0.61
Light, heat and power	2.68	1.84	1.56	1.38	0.68	1.19	0.68	0.64	1.32
Repairs and maintenance	1.97	0.94	0.75	0.86	0.82	0.78	0.19	0.17	0.73
Depreciation allowances	2.87	1.71	1.83	1.76	1.36	0.83	0.64	0.61	1.56
Total occupancy expenses	**11.34**	**7.11**	**6.19**	**6.03**	**4.30**	**7.29**	**5.22**	**4.95**	**6.09**
Office and store supplies	0.87	0.38	0.43	0.20	0.30	0.32	0.38	0.46	0.36
Advertising	0.14	0.32	0.31	0.40	0.29	0.36	0.26	0.50	0.33
Net loss on bad debts	—	0.24	0.24	0.25	0.39	0.16	0.18	0.39	0.25
All other expenses	5.97	3.20	3.26	3.21	2.31	3.79	2.31	2.35	3.19
Total operating expenses	**21.46**	**18.96**	**21.76**	**26.32**	**22.01**	**24.61**	**19.79**	**22.84**	**22.62**
Net operating profit	**19.55**	**16.56**	**12.14**	**7.36**	**5.95**	**12.31**	**10.81**	**8.21**	**10.57**
Non-trading income	0.70	1.34	0.96	1.34	0.14	0.03	0.47	1.70	0.87
Non-trading expense	0.42	0.22	0.04	0.75	0.05	0.02	0.69	0.83	0.27
Net profit before deduction of proprietors' salaries and income tax	**19.83**	**17.68**	**13.06**	**7.95**	**6.04**	**12.32**	**10.59**	**9.08**	**11.17**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent establishments.

TABLE 9. Independent Garages — Owned — Financial Structure of Unincorporated Establishments By Size and Age of Business as at December 31, 1959

Item	Establishments with annual net sales of					Total all sizes $20,000 and over
	$20,000-49,999			$50,000-99,999	$100,000 and over	
	Under 10 years	10 years and over	Total			
	average per establishment (dollars)					
Assets						
Current assets:						
Cash on hand and in bank	4,253	2,084	2,571	4,774	4,234	3,473
Accounts and notes receivable (net)	1,262	1,934	1,783	4,189	9,089	3,517
Merchandise inventory	2,403	2,163	2,217	3,733	11,216	3,909
Other current assets	—	961	745	109	613	532
Total current assets	**7,918**	**7,142**	**7,316**	**12,805**	**25,152**	**11,431**
Fixed assets (net):						
Used in the business	10,492	10,864	10,780	14,089	21,731	13,289
Not used in the business	202	1,894	1,514	2,528	4,438	2,224
Total fixed assets (net)	**10,694**	**12,758**	**12,294**	**16,617**	**26,169**	**15,513**
Other assets:						
Long term investments	266	98	136	1,328	4,207	1,057
Other assets	37	532	421	802	546	555
Total other assets	**303**	**630**	**557**	**2,130**	**4,753**	**1,612**
Total assets	**18,915**	**20,530**	**20,167**	**31,552**	**56,074**	**28,556**
Liabilities						
Current liabilities:						
Accounts and notes payable	1,827	1,684	1,715	3,250	8,631	3,129
Fixed liabilities:						
Mortgages on fixed assets used in the business	1,844	1,846	1,845	6,294	5,814	3,751
Mortgages on fixed assets not used in the business	—	132	102	—	—	57
Total fixed liabilities	**1,844**	**1,978**	**1,947**	**6,294**	**5,814**	**3,808**
Other liabilities	—	730	567	1,389	2,671	1,106
Total liabilities	**3,671**	**4,392**	**4,229**	**10,933**	**17,116**	**8,043**
Net worth: Proprietor's or partners' equity in the business	15,244	16,138	15,938	20,619	38,958	20,513
Total liabilities and net worth	**18,915**	**20,530**	**20,167**	**31,552**	**56,074**	**28,556**
Average net sales of establishments reporting	33,791	35,533	35,142	69,526	166,448	63,597
Number of establishments reporting	11	38	49	27	12	88

TABLE 10. Independent Garages — Rented — Financial Structure of Unincorporated Establishments by Size of Business as at December 31, 1959

Item	Establishments with annual net sales of			Total all sizes $20,000 and over
	$20,000 - 49,999	$50,000 - 99,999	$100,000 and over	
	average per establishment (dollars)			
Assets				
Current assets:				
Cash on hand and in bank	2,136	3,510	7,065	3,807
Accounts and notes receivable (net)	1,912	4,492	9,134	4,555
Merchandise inventory	2,156	3,035	4,566	3,044
Other current assets	120	166	1,002	351
Total current assets	**6,324**	**11,203**	**21,767**	**11,757**
Fixed assets (net):				
Used in the business	3,173	1,877	5,453	3,286
Not used in the business	2,616	4,223	7,216	4,287
Total fixed assets (net)	**5,789**	**6,100**	**12,669**	**7,573**
Other assets:				
Long term investments	41	–	5,534	1,367
Other assets	301	414	10	269
Total other assets	**342**	**414**	**5,544**	**1,636**
Total assets	**12,455**	**17,717**	**39,980**	**20,966**
Liabilities				
Current liabilities:				
Accounts and notes payable	1,678	4,191	5,194	3,394
Fixed liabilities:				
Mortgages on fixed assets used in the business	–	302	16	107
Mortgages on fixed assets not used in the business	1,164	2,478	–	1,329
Total fixed liabilities	**1,164**	**2,780**	**16**	**1,436**
Other liabilities	794	1,624	387	978
Total liabilities	**3,636**	**8,595**	**5,597**	**5,808**
Net worth:Proprietor's or partners' equity in the business	8,819	9,122	34,383	15,158
Total liabilities and net worth	**12,455**	**17,717**	**39,980**	**20,966**
Average net sales of establishments reporting	33,315	71,312	145,471	73,645
Number of establishments reporting	17	14	10	41

DEFINITIONS

PROFIT AND LOSS

Items

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases – are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – payments for use of business premises.

Heat, light and power – cost applicable to year's operations.

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income – interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense – interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios – each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

BALANCE SHEET

Asset Items

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth Items

Current liabilities — obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth — Unincorporated business — the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

— Incorporated business — net worth is shown in two parts:

(1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and

(2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Ratios

Current ratio — Current Assets ÷ Current Liabilities — indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity ratio — Current Assets less Merchandise Inventory ÷ Current Liabilities — sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working capital to net worth ratio — denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-debt ratio — Net Worth ÷ Total Liabilities — if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of total capital employed — Net Sales ÷ Total Assets used in the business — provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

CATALOGUE No.

63-408

TRIENNIAL

CANADA

AUTOMOBILE DEALERS, ACCESSORIES, TIRE AND BATTERY SHOPS, SERVICE STATIONS, GARAGES AND PAINT AND BODY SHOPS

(Independent)

OPERATING RESULTS

1965

The last issue of this report, formerly known as Operating Results and Financial Structure of Filling Stations and Garages (Independent) was for 1959. Previously Biennial, it is now Triennial.

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TABLE OF CONTENTS

AUTOMOBILE DEALERS, ACCESSORIES, TIRE AND BATTERY SHOPS, SERVICE STATIONS, GARAGES AND PAINT AND BODY SHOPS

(Independent)

OPERATING RESULTS

1965

INTRODUCTION

This report is the first of its kind since 1959. In the 1959 issue, operating results of filling stations and garages only were discussed. The present report contains information about operating results of the following independent kinds of business:

automobile dealers;

automobile dealers with wholesale car department;

automobile dealers with farm implements;

used car dealers;

accessories, tire and battery shops;

second hand parts and accessory shops;

service stations;

service stations with restaurants;

retail garages;

service garages;

paint and body shops;

other specialty repair shops.

During the 1961 Census of Merchandising and Service Establishments, data were collected on gross profit ratios for retail trades and these are published in Table 20, Volume VI, Part 1, of the "Census of Canada, 1961"; the small bulletin containing Table 20 bears Catalogue No. 97-505. These publications are obtainable from the Queen's Printer, Ottawa.

It is the intention to survey independent businesses reported on by the present bulletin every three years.

This report deals with profit and loss statistics presented mainly in the form of percentages of net sales. Results are shown for sales-size groups in some instances. Balance sheet data are not presented.

The primary purpose of the operating results survey is to provide averages or ratios on the different phases of business operation against which firms in the same trade may make direct comparisons with their own results. They also provide useful information to others interested in the cost of distribution of consumer goods.

Where averages and ratios are given for a number of size categories or a number of types of operation, a weighting procedure has been applied to such data. These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

AUTOMOBILE DEALERS (INDEPENDENT)

Businesses included in this classification are primarily engaged in selling new or both new and used motor vehicles. The value of new car sales amounts to 20 per cent or more of total sales. No wholesale car department is maintained and no farm implements are handled by establishments in this kind of business.

This is the first operating results survey of independent automobile dealers. It is of some interest to note that the gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census of Merchandising was 15.9 per cent. Ratios ranged from 13.0 per cent for Prince Edward Island to 17.8 per cent for Alberta. The census statistics pertain to independent dealers as well as chain and to both incorporated companies and unincorporated businesses. The 1965 survey indicated gross profit of 14.62 per cent of net sales for unincorporated businesses and 13.68 per cent for incorporated automobile dealers.

The tables which follow give operating expenses as percentages of net sales. Final net profit before deduction of proprietors' salaries, withdrawals, and income tax is 3.58 per cent for unincorporated dealers and it is 1.76 per cent before allowances for income tax for incorporated companies.

TABLE 1. Automobile Dealers, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of						Rented premises with annual net sales of				Total owned and rented
	$50,000-99,999	$100,000-199,999	$200,000-499,999	$500,000-999,999	$1,000,000 and over	Total	$100,000-199,999	$200,000-499,999	$1,000,000 and over	Total	
Number of businesses reporting	9	26	41	5	3	86	3	7	3	14	100
Average net sales per business	76,988	150,116	325,952	556,343	1,145,393	420,837	166,090	284,228	1,380,627	631,563	470,862
Average beginning inventory	12,496	27,135	37,335	65,658	111,223	48,155	20,961	28,220	172,666	68,913	53,083
Average inventory, end of year	11,870	27,883	43,604	88,461	167,844	62,467	24,036	32,063	224,769	91,422	69,341
Average cost of goods sold	64,866	125,802	273,307	486,977	1,002,612	362,154	138,993	244,127	1,219,637	555,090	407,956
Stock turnover (times per year)	5.32	4.57	6.75	6.32	7.19	6.16	6.18	8.10	6.14	7.26	6.42
Profit and loss data (Per cent of net sales)											
Gross profit	**15.75**	**16.20**	**16.15**	**12.47**	**12.47**	**15.01**	**16.31**	**14.11**	**11.66**	**13.37**	**14.62**
Operating expenses:											
Employees' salaries and wages (except delivery)	4.06	6.30	6.22	5.23	4.84	5.73	4.42	4.92	4.10	4.61	5.46
Delivery expenses (including salaries and wages)	0.06	0.05	0.25	0.05	0.10	0.14	—	0.37	0.14	0.41	0.20
Occupancy expenses:											
Taxes	0.83	0.68	0.43	0.25	0.36	0.48	0.24	0.15	0.08	0.17	0.41
Insurance	0.53	0.48	0.40	0.38	0.20	0.40	0.33	0.47	0.20	0.32	0.38
Rent	—	—	—	—	—	—	1.25	0.81	0.93	0.88	0.21
Heat, light and power	0.92	0.65	0.45	0.30	0.27	0.48	0.46	0.38	0.27	0.34	0.45
Repairs and maintenance	0.29	0.38	0.24	0.25	0.25	0.28	0.41	0.20	0.24	0.25	0.27
Depreciation allowances	0.84	0.62	0.55	1.20	0.43	0.67	0.22	0.20	0.27	0.21	0.56
Total occupancy expenses	**3.41**	**2.81**	**2.07**	**2.38**	**1.51**	**2.31**	**2.91**	**2.21**	**1.99**	**2.17**	**2.28**
Office and store supplies	0.22	0.27	0.26	0.24	0.49	0.28	0.49	0.33	0.13	0.33	0.29
Advertising	0.27	0.30	0.39	0.40	0.48	0.37	0.05	0.41	1.07	0.52	0.41
Net loss on bad debts	0.20	0.35	0.31	0.13	0.10	0.25	—	0.10	0.09	0.08	0.21
All other expenses	2.64	2.62	2.71	2.53	1.23	2.44	2.70	2.73	2.73	2.22	2.39
Total operating expenses	**10.86**	**12.70**	**12.21**	**10.96**	**8.75**	**11.52**	**10.57**	**11.07**	**10.25**	**10.34**	**11.24**
Net operating profit	**4.89**	**3.50**	**3.94**	**1.51**	**3.72**	**3.49**	**5.74**	**3.04**	**1.41**	**3.03**	**3.38**
Non-trading income	0.25	0.42	0.44	0.31	0.19	0.36	0.73	0.52	0.24	0.39	0.37
Non-trading expense	—	0.09	0.28	0.02	0.17	0.16	—	0.11	0.42	0.18	0.17
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**5.14**	**3.83**	**4.10**	**1.80**	**3.74**	**3.69**	**6.47**	**3.45**	**1.23**	**3.24**	**3.58**

TABLE 2. Automobile Dealers, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of					Rented premises with annual net sales of					Total owned and rented
	$100,000-199,999	$200,000-499,999	$500,000-999,999	$1,000,000 and over	Total	$100,000-199,999	$200,000-499,999	$500,000-999,999	$1,000,000 and over	Total	
Number of businesses reporting	11	39	55	63	168	4	20	26	78	128	296
Average net sales per business	156,328	334,755	732,277	2,590,241	1,595,239	167,899	326,994	733,027	4,010,869	2,787,043	2,220,831
Average beginning inventory	21,173	48,057	88,610	238,957	156,137	30,478	41,188	88,188	366,855	261,031	211,197
Average inventory, end of year	20,607	53,470	108,035	334,188	211,313	34,534	52,888	105,494	557,908	389,577	304,886
Average cost of goods sold	127,484	289,584	631,512	2,227,215	1,372,254	134,454	280,184	618,950	3,517,297	2,438,039	1,931,697
Stock turnover (times per year)	6.10	5.70	6.42	7.77	6.97	4.14	5.95	6.39	7.61	7.07	7.02
Profit and loss data (Per cent of net sales)											
Gross profit	**18.45**	**13.49**	**13.73**	**14.02**	**13.99**	**19.92**	**14.32**	**15.56**	**12.31**	**13.40**	**13.68**
Operating expenses:											
Employees' salaries and wages (except delivery)	9.74	6.76	6.24	5.62	6.14	9.02	7.11	6.91	5.92	6.34	6.24
Delivery expenses (including salaries and wages)	—	0.21	0.49	0.27	0.31	0.46	0.13	0.31	0.41	0.36	0.34
Occupancy expenses:											
Taxes	0.60	0.38	0.34	0.24	0.30	0.16	0.18	0.20	0.16	0.17	0.23
Insurance	0.55	0.40	0.37	0.27	0.33	0.47	0.42	0.33	0.24	0.29	0.31
Rent	—	—	—	—	—	1.35	1.12	0.95	0.67	0.80	0.42
Heat, light and power	0.82	0.48	0.33	0.25	0.33	0.74	0.42	0.33	0.20	0.27	0.30
Repairs and maintenance	0.37	0.37	0.30	0.28	0.31	0.47	0.24	0.26	0.20	0.22	0.26
Depreciation allowances	0.65	0.55	0.48	0.44	0.48	0.24	0.71	0.33	0.32	0.37	0.42
Total occupancy expenses	**2.99**	**2.18**	**1.82**	**1.48**	**1.75**	**3.43**	**3.09**	**2.40**	**1.79**	**2.12**	**1.94**
Office and store supplies	0.44	0.23	0.27	0.19	0.23	0.31	0.40	0.19	0.21	0.23	0.23
Advertising	0.36	0.39	0.46	0.60	0.51	0.20	0.55	0.63	0.65	0.62	0.57
Net loss on bad debts	0.19	0.20	0.22	0.14	0.17	0.09	0.26	0.25	0.08	0.14	0.16
All other expenses	3.58	2.47	2.79	3.36	3.05	3.92	2.39	3.65	2.47	2.73	2.88
Total operating expenses	**17.30**	**12.44**	**12.29**	**11.66**	**12.16**	**17.43**	**13.93**	**14.34**	**11.53**	**12.54**	**12.36**
Net operating profit	**1.15**	**1.05**	**1.44**	**2.36**	**1.83**	**2.49**	**0.39**	**1.22**	**0.78**	**0.86**	**1.32**
Non-trading income	0.48	0.42	0.77	1.09	0.86	0.27	0.76	0.62	0.94	0.84	0.85
Non-trading expense	—	0.05	0.22	0.48	0.32	—	0.08	0.28	0.66	0.50	0.41
Net profit before allowances for income tax	**1.63**	**1.42**	**1.99**	**2.97**	**2.37**	**2.76**	**1.07**	**1.56**	**1.06**	**1.20**	**1.76**

AUTOMOBILE DEALERS WITH WHOLESALE CAR DEPARTMENT (INDEPENDENT)

To this classification belong retail businesses selling mainly new or both new and used motor vehicles, provided that new car sales amount to 20 per cent or more of the total sales, irrespective of number sold, combined with a wholesale car department through which certain makes of cars are distributed to dealers in adjacent territories. The wholesale business must include at least five motor vehicles.

It is of some interest to note that the gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census of Merchandising was 14.8 per cent. Ratios ranged from 13.2 per cent for Ontario to 17.9 per cent for British Columbia. The Census statistics pertain to independent dealers as well as chain and to both incorporated companies and unincorporated businesses. The 1965 survey indicated gross profit of 12.03 per cent of net sales for incorporated companies dealing in this kind of business.

The table which follows gives operating expenses as percentages of net sales. Employees' salaries and wages (except delivery) were 5.70 per cent, delivery expenses (including salaries and wages) reached 0.42 per cent. Total occupancy expenses accounted for 1.52 per cent and total operating expenses for 11.04 per cent of net sales. Net operating profit was 0.99 per cent and final net profit before allowances for income tax for 27 incorporated companies reporting was 1.39 per cent.

There is no information available about operating results for unincorporated automobile dealers with wholesale car departments.

TABLE 3. Automobile Dealers with Wholesale Car Department, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of		Rented premises with annual net sales of		Total owned and rented
	$1,000,000 and over	Total	$1,000,000 and over	Total	
Number of businesses reporting	11	12	13	15	27
Average net sales per business	2,631,510	2,420,745	5,531,608	5,239,521	4,326,598
Average beginning inventory	273,864	251,516	418,255	396,911	349,822
Average inventory, end of year	358,113	335,633	693,022	656,712	552,724
Average cost of goods sold	2,262,457	2,080,605	4,923,054	4,663,024	3,826,651
Stock turnover (times per year)	7.16	6.92	8.86	8.81	8.20
Profit and loss data (Per cent of net sales)					
Gross profit	**14.02**	**14.15**	**11.00**	**11.01**	**12.03**
Operating expenses:					
Employees' salaries and wages (except delivery)	7.13	6.93	5.01	5.11	5.70
Delivery expenses (including salaries and wages)	0.20	0.18	0.53	0.54	0.42
Occupancy expenses:					
Taxes	0.40	0.40	0.16	0.16	0.24
Insurance	0.23	0.23	0.22	0.22	0.22
Rent	—	—	0.53	0.53	0.37
Heat, light and power	0.31	0.31	0.14	0.15	0.20
Repairs and maintenance	0.29	0.26	0.14	0.13	0.17
Depreciation allowances	0.54	0.54	0.23	0.22	0.32
Total occupancy expenses	**1.77**	**1.75**	**1.42**	**1.41**	**1.52**
Office and store supplies	0.25	0.34	0.20	0.20	0.25
Advertising	0.69	0.66	0.59	0.58	0.61
Net loss on bad debts	0.08	0.11	0.04	0.04	0.06
All other expenses	2.94	3.13	2.17	2.17	2.48
Total operating expenses	**13.06**	**13.10**	**9.96**	**10.05**	**11.04**
Net operating profit	**0.96**	**1.05**	**1.04**	**0.96**	**0.99**
Non-trading income	1.15	1.15	0.94	0.94	1.01
Non-trading expense	0.75	0.68	0.60	0.57	0.61
Net profit before allowances for income tax	**1.36**	**1.52**	**1.38**	**1.33**	**1.39**

AUTOMOBILE DEALERS WITH FARM IMPLEMENTS (INDEPENDENT)

Businesses in this classification are primarily engaged in selling motor vehicles in combination with farm implements including tractors.

It is of some interest to note that the gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census of Merchandising was 14.5 per cent. Ratios ranged from 13.2 per cent for New Brunswick to 17.1 per cent for British Columbia. The census statistics pertain to independent dealers as well as chain and to both incorporated companies and unincorporated businesses. The 1965 survey indicated gross profit of 13.01 per cent for unincorporated automobile dealers with farm implements and 12.87 per cent in the case of incorporated companies in this kind of business.

The 1965 results in more detail and by size of business are shown in the tables that follow. The final result before deduction of proprietors' salaries, withdrawals, and income tax for the fifteen unincorporated businesses reporting is a profit of 3.67 per cent of net sales. For twenty-three incorporated companies reporting, the final profit before allowances for income tax is 2.41 per cent.

TABLE 4. Automobile Dealers, with Farm Implements, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of			Total owned and rented
	$100,000 - 199,999	$200,000 - 499,999	Total	
Number of businesses reporting	10	4	14	15
Average net sales per business	155,286	374,856	288,897	283,632
Average beginning inventory	22,714	61,975	46,605	45,725
Average inventory, end of year	24,954	64,724	49,155	48,261
Average cost of goods sold	133,465	329,791	252,932	248,064
Stock turnover (times per year)	5.60	5.21	5.36	5.35
Profit and loss data (Per cent of net sales)				
Gross profit	**14.05**	**12.02**	**12.81**	**13.01**
Operating expenses:				
Employees' salaries and wages (except delivery)	4.25	4.78	4.57	4.53
Delivery expenses (including salaries and wages)	0.36	0.21	0.27	0.26
Occupancy expenses:				
Taxes	0.60	0.24	0.38	0.37
Insurance	0.39	0.19	0.27	0.27
Rent	—	—	—	0.06
Heat, light and power	0.60	0.32	0.43	0.43
Repairs and maintenance	0.34	0.37	0.36	0.35
Depreciation allowances	0.69	0.54	0.60	0.58
Total occupancy expenses	**0.62**	**1.66**	**2.04**	**2.06**
Office and store supplies	0.18	0.09	0.12	0.12
Advertising	0.35	0.33	0.34	0.33
Net loss on bad debts	0.20	0.17	0.18	0.17
All other expenses	2.47	1.68	1.99	2.05
Total operating expenses	**10.43**	**8.92**	**9.51**	**9.52**
Net operating profit	**3.62**	**3.10**	**3.30**	**3.49**
Non-trading income	0.13	0.23	0.19	0.18
Non-trading expense	—	—	—	—
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**3.75**	**3.33**	**3.49**	**3.67**

TABLE 5. Automobile Dealers with Farm Implements, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of				Rented premises with annual net sales of $1,000,000 and over	Total owned and rented
	$200,000 - 499,999	$500,000 - 999,999	$1,000,000 and over	Total		
Number of businesses reporting	4	9	4	17	6	23
Average net sales per business	329,629	663,998	2,421,311	1,098,796	693,420	997,615
Average beginning inventory	59,940	103,688	255,349	135,404	152,042	139,557
Average inventory, end of year	75,618	119,624	341,377	173,784	152,019	168,351
Average cost of goods sold	286,878	573,965	2,154,910	970,479	601,419	878,362
Stock turnover (times per year)	4.23	5.14	7.22	5.45	4.08	5.11
Profit and loss data (Per cent of net sales)						
Gross profit	**12.97**	**13.56**	**11.00**	**12.51**	**13.94**	**12.87**
Operating expenses:						
Employees' salaries and wages (except delivery)	6.08	6.59	7.20	6.59	5.20	6.24
Delivery expenses (including salaries and wages)	0.46	0.24	0.63	0.45	0.18	0.38
Occupancy expenses:						
Taxes	0.47	0.25	0.22	0.33	0.16	0.29
Insurance	0.39	0.29	0.14	0.28	0.25	0.27
Rent	—	—	—	—	0.61	0.15
Heat, light and power	0.53	0.31	0.32	0.40	0.30	0.38
Repairs and maintenance	0.24	0.13	0.23	0.20	0.32	0.23
Depreciation allowances	0.63	0.37	0.26	0.44	0.28	0.40
Total occupancy expenses	**2.26**	**1.35**	**1.17**	**1.65**	**1.92**	**1.72**
Office and store supplies	0.15	0.19	0.29	0.21	0.12	0.19
Advertising	0.19	0.35	0.45	0.32	0.38	0.33
Net loss on bad debts	0.48	0.52	0.29	0.43	0.51	0.45
All other expenses	2.05	3.16	0.87	1.99	2.50	2.12
Total operating expenses	**11.67**	**12.40**	**10.90**	**11.64**	**10.81**	**11.43**
Net operating profit	**1.30**	**1.16**	**0.10**	**0.87**	**3.13**	**1.44**
Non-trading income	2.03	0.79	1.15	1.39	0.68	1.21
Non-trading expense	0.48	—	0.22	0.26	0.17	0.24
Net profit before allowances for income tax	**2.85**	**1.95**	**1.03**	**2.00**	**3.64**	**2.41**

USED CAR DEALERS (INDEPENDENT)

Businesses included in this classification are retail establishments selling mainly used motor vehicles. They are independent enterprises having no proprietory connection with a new car agency. The business transacted by used car lots operated in conjunction with a new car agency is included in the report of the new car establishment. The occasional new model, however, may be sold by used car dealers.

It is of some interest to note that the gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census of Merchandising was 17.9 per cent. Ratios ranged from 16.8 per cent for Ontario to 21.2 per cent for British Columbia. The census statistics pertain to independent dealers as well as chain and to both incorporated companies and unincorporated businesses. The 1965 survey indicated gross profit of 17.21 per cent of net sales for twenty-eight unincorporated used car dealers reporting and 18.45 per cent for twenty-four incorporated companies.

The tables which follow give detailed operating expenses as percentages of net sales. In the unincorporated sector of the trade, employees' salaries and wages (except delivery) were 4.64 per cent, total occupancy expenses 3.02 per cent, total operating expenses amounted to 11.55 per cent and net operating profit was 5.66 per cent. After taking account of non-trading income and non-trading expense, final net profit before deduction of proprietors' salaries, withdrawals and income tax amounted to 6.16 per cent.

In the incorporated sector of the trade, employees' salaries and wages (except delivery) accounted for 9.47 per cent. Total occupancy expenses were 2.42 per cent and total operating expenses were 16.30 per cent, leaving a net operating profit of 2.15 per cent. After taking account of non-trading income and non-trading expense, final net profit before allowances for income tax was 2.02 per cent. In the detailed tables, there is a distinction made between used car dealers with owned premises and those with rented premises.

TABLE 6. Used Car Dealers, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of				Rented premises with annual net sales of			Total owned and rented
	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	$50,000-99,999	$100,000-199,999	Total	
Number of businesses reporting	7	3	7	17	5	6	11	28
Average net sales per business	86,573	128,193	292,498	183,881	84,676	161,612	129,890	162,345
Average beginning inventory	7,891	19,570	34,940	22,727	10,285	21,784	18,052	20,862
Average inventory, end of year	6,001	21,140	37,209	23,668	10,353	21,709	18,024	21,417
Average cost of goods sold	68,181	110,075	244,608	153,612	65,250	128,703	108,111	135,462
Stock turnover (times per year)	9.82	5.41	6.78	7.13	6.32	5.92	6.05	6.70
Profit and loss data (Per cent of net sales)								
Gross profit	**21.24**	**14.13**	**16.37**	**16.91**	**22.93**	**15.11**	**17.65**	**17.21**
Operating expenses:								
Employees' salaries and wages (except delivery)	4.26	5.54	5.00	4.98	3.47	4.43	4.12	4.64
Delivery expenses (including salaries and wages)	—	—	—	—	—	—	—	—
Occupancy expenses:								
Taxes	0.84	0.43	0.34	0.50	0.39	0.29	0.32	0.43
Insurance	0.57	0.50	0.64	0.58	0.56	0.37	0.43	0.52
Rent	—	—	—	—	2.65	1.44	1.83	0.73
Heat, light and power	0.49	0.62	0.49	0.53	0.57	0.85	0.76	0.62
Repairs and maintenance	0.25	0.19	0.47	0.32	0.70	0.24	0.39	0.35
Depreciation allowances	0.40	0.63	0.51	0.52	—	0.20	0.14	0.37
Total occupancy expenses	**2.55**	**2.37**	**2.45**	**2.45**	**4.87**	**3.39**	**3.87**	**3.02**
Office and store supplies	0.12	0.32	0.20	0.22	0.18	0.18	0.18	0.20
Advertising	0.85	0.36	0.78	0.66	0.95	0.45	0.61	0.64
Net loss on bad debts	0.05	0.02	0.11	0.06	—	1.00	0.68	0.31
All other expenses	3.77	2.11	2.84	2.85	4.45	1.68	2.58	2.74
Total operating expenses	**11.60**	**10.72**	**11.38**	**11.22**	**13.92**	**11.13**	**12.04**	**11.55**
Net operating profit	**9.64**	**3.41**	**4.99**	**5.69**	**9.01**	**3.98**	**5.61**	**5.66**
Non-trading income	0.88	1.87	0.31	0.98	—	0.20	0.13	0.64
Non-trading expense	0.56	—	0.07	0.18	—	0.14	0.09	0.14
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**9.96**	**5.28**	**5.23**	**6.49**	**9.01**	**4.04**	**5.65**	**6.16**

TABLE 7. Used Car Dealers, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of			Rented premises with annual net sales of				Total owned and rented
	$50,000-99,999	$200,000-999,999	Total	$100,000-199,999	$200,000-499,999	$500,000-999,999	Total	
Number of businesses reporting	4	5	9	3	7	5	15	24
Average net sales per business	96,827	510,936	430,915	156,186	380,379	685,850	459,726	448,622
Average beginning inventory	13,906	60,381	51,400	11,288	36,617	52,875	38,640	43,558
Average inventory, end of year	15,235	54,676	47,054	17,316	36,114	57,220	41,053	43,366
Average cost of goods sold	81,220	412,641	348,598	126,858	307,864	567,466	376,860	365,967
Stock turnover (times per year)	5.57	7.17	6.86	8.87	8.46	10.30	9.23	8.32
Profit and loss data (Per cent of net sales)								
Gross profit	**16.12**	**19.24**	**18.64**	**18.78**	**19.06**	**17.26**	**18.33**	**18.45**
Operating expenses:								
Employees' salaries and wages (except delivery)	9.70	8.41	8.66	8.78	9.37	11.23	9.98	9.47
Delivery expenses (including salaries and wages)	—	—	—	—	—	—	—	—
Occupancy expenses:								
Taxes	0.53	0.61	0.59	0.24	0.21	0.12	0.18	0.34
Insurance	0.52	0.34	0.37	0.34	0.33	0.20	0.28	0.31
Rent	—	—	—	0.96	0.85	0.70	0.82	0.50
Heat, light and power	0.54	0.42	0.44	0.16	0.34	0.15	0.24	0.32
Repairs and maintenance	0.28	0.21	0.23	1.74	0.77	0.25	0.73	0.54
Depreciation allowances	0.42	0.68	0.63	0.65	0.31	0.07	0.27	0.41
Total occupancy expenses	**2.29**	**2.26**	**2.26**	**4.09**	**2.81**	**1.49**	**2.52**	**2.42**
Office and store supplies	0.10	0.17	0.16	0.05	0.07	0.05	0.06	0.10
Advertising	0.46	0.71	0.66	0.24	1.11	1.17	0.99	0.86
Net loss on bad debts	—	0.32	0.26	0.13	0.10	0.16	0.13	0.18
All other expenses	2.31	4.29	3.91	3.97	3.41	1.73	2.86	3.27
Total operating expenses	**14.86**	**16.16**	**15.91**	**17.26**	**16.87**	**15.83**	**16.54**	**16.30**
Net operating profit	**1.26**	**3.08**	**2.73**	**1.52**	**2.19**	**1.43**	**1.79**	**2.15**
Non-trading income	0.13	1.09	0.90	1.91	0.31	0.59	0.68	0.76
Non-trading expense	—	2.37	1.91	1.41	0.04	—	0.25	0.89
Net profit before allowances for income tax	**1.39**	**1.80**	**1.72**	**2.02**	**2.46**	**2.02**	**2.22**	**2.02**

ACCESSORIES, TIRE AND BATTERY SHOPS (INDEPENDENT)

Businesses included in this classification sell mainly a combination of automotive accessories, tires, batteries, radios and automotive parts and, accasionally, gas and oil. The sale of gas and oil does not account for more than 33 per cent of the total trade. Such establishments may also engage in service and repair activities but receipts from these do not constitute more than 25 per cent of the total trade.

It is of some interest to note that gross profit as a percentage of net sales for this kind of business revealed by the 1961 Census of Merchandising was 30.6 per cent. Ratios ranged from 35.4 per cent for British Columbia to 24.1 per cent in the case of Saskatchewan. The census statistics pertain to independent shops as well as chain and to both incorporated companies and unincorporated businesses.

The 1965 results in more detail and by size of business are shown in the tables that follow. Over 130 usable reports were received from unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated businesses was 27.65 per cent of net sales. Salaries and wages, in 1965, excluding the pay for delivery employees, were 8.37 per cent. Delivery expenses were 0.92 per cent, occupancy expenses 5.52 per cent, office and store supplies 0.52 per cent and all other expenses were 3.98 per cent, making total operating expenses 19.31 per cent. Net operating profit before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income was 8.34 per cent. After considering non-operating items net profit was 9.00 per cent of net sales. In the detailed tables, there is a distinction made between shops with owned premises and shops with rented premises.

In the incorporated sector of the trade, for all companies reporting, the gross profit was 28.53 per cent. Salaries and wages, excluding the pay for delivery employees were 13.49 per cent, delivery expenses were 1.03 per cent, total occupancy expenses 4.89 per cent, office and store supplies 0.42 per cent and all other expenses were 5.13 per cent, making total operating expenses 24.96 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 3.57 per cent. Taking account of non-trading income and expense, net profit was 4.36 per cent. A distinction is also made in this category between shops with owned premises and shops with rented premises.

TABLE 8. Accessories, Tire and Battery Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of						Rented premises with annual net sales of				Total owned and rented
	$20,000-29,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	$30,000-49,999	$50,000-99,999	$100,000-199,999	Total	
Number of businesses reporting	4	14	9	11	5	43	5	8	6	25	68
Average net sales per business	24,902	38,667	69,944	137,130	270,074	126,322	41,488	70,475	143,876	163,454	143,035
Average beginning inventory	9,820	10,339	12,699	24,772	55,577	24,936	9,288	15,308	15,285	29,182	26,847
Average inventory, end of year	10,449	10,793	11,747	28,429	57,017	26,040	9,236	19,419	16,261	30,727	28,150
Average cost of goods sold	17,184	25,886	48,722	101,765	210,209	94,376	29,459	50,838	103,921	119,588	105,724
Stock turnover (times per year)	1.70	2.44	3.98	3.82	3.73	3.60	3.18	2.93	6.39	4.76	4.12
Profit and loss data (Per cent of net sales)											
Gross profit	30.99	33.05	30.34	25.79	22.16	27.66	28.99	27.86	27.77	27.63	27.65
Operating expenses:											
Employees' salaries and wages (except delivery)	8.71	8.12	10.04	7.92	7.61	8.62	3.87	6.70	8.40	8.07	8.37
Delivery expenses (including salaries and wages)	1.01	0.84	0.76	0.57	0.72	0.72	1.63	0.67	1.15	1.17	0.92
Occupancy expenses:											
Taxes	1.75	1.60	1.28	0.86	0.67	1.09	0.36	0.43	0.23	0.39	0.77
Insurance	1.19	0.78	0.70	0.54	0.74	0.69	0.55	0.54	0.53	0.47	0.59
Rent	—	—	—	—	—	—	2.69	3.06	2.58	2.73	1.23
Heat, light and power	2.18	1.45	1.33	0.91	0.80	1.15	0.85	0.84	0.88	0.82	1.00
Repairs and maintenance	0.96	0.41	0.29	0.54	0.37	0.42	0.12	0.38	0.69	0.37	0.40
Depreciation allowances	1.49	2.59	2.19	1.60	1.55	1.91	1.43	1.12	1.14	1.06	1.53
Total occupancy expenses	7.57	6.83	5.79	4.45	4.13	5.26	6.00	6.37	6.05	5.84	5.52
Office and store supplies	0.22	0.44	0.42	0.34	1.00	0.52	0.60	0.34	0.74	0.51	0.52
Advertising	0.21	0.80	0.90	0.69	0.70	0.76	0.52	0.78	1.03	0.92	0.83
Net loss on bad debts	0.42	0.46	0.37	0.38	0.55	0.42	0.04	0.38	0.33	0.33	0.38
All other expenses	4.07	3.93	2.74	2.43	1.93	2.68	2.96	2.39	2.55	2.88	2.77
Total operating expenses	22.21	21.42	21.02	16.78	16.64	18.98	15.62	17.63	20.25	19.72	19.31
Net operating profit	8.78	11.63	9.32	9.01	5.52	8.68	13.37	10.23	7.52	7.91	8.34
Non-trading income	3.58	0.11	0.74	0.70	0.37	0.68	0.02	0.47	1.18	0.68	0.68
Non-trading expense	—	—	—	—	—	—	—	—	—	0.02	0.02
Net profit before deduction of proprietors' salaries, withdrawals and income tax	12.36	11.74	10.06	9.71	5.89	9.36	13.39	10.70	8.70	8.57	9.00

TABLE 9. Accessories, Tire and Battery Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of			Rented premises with annual net sales of						Total owned and rented
	$100,000-199,999	$200,000-499,999	Total	$50,000-99,999	$100,000-199,999	$200,000-499,999	$500,000-999,999	$1,000,000 and over	Total	
Number of businesses reporting	9	5	17	3	12	17	12	6	50	67
Average net sales per business	145,848	265,073	400,454	77,314	162,127	313,459	656,356	1,791,830	720,267	627,775
Average beginning inventory	22,848	42,511	34,982	8,209	36,932	63,526	96,876	186,237	94,059	76,974
Average inventory, end of year	23,794	55,467	46,087	11,788	39,049	64,946	105,831	205,065	101,466	85,450
Average cost of goods sold	105,155	191,454	280,734	52,842	119,543	220,109	479,024	1,297,214	519,779	450,646
Stock turnover (times per year)	4.42	3.91	6.89	5.28	3.14	3.42	4.72	6.63	4.51	5.20
Profit and loss data (Per cent of net sales)										
Gross profit	**29.27**	**27.77**	**29.17**	**31.65**	**26.27**	**29.78**	**27.02**	**27.60**	**28.27**	**28.53**
Operating expenses:										
Employees' salaries and wages (except delivery)	14.30	13.08	12.34	11.23	12.41	13.32	14.86	15.76	13.96	13.49
Delivery expenses (including salaries and wages)	0.90	1.08	1.72	1.26	0.79	1.09	0.45	0.36	0.75	1.03
Occupancy expenses:										
Taxes	0.84	0.60	0.67	0.47	0.80	0.35	0.26	0.46	0.45	0.51
Insurance	0.57	0.79	0.72	0.09	0.67	0.69	0.33	0.24	0.48	0.55
Rent	—	—	—	2.66	2.54	1.98	2.25	2.23	2.21	1.57
Heat, light and power	0.73	0.59	0.67	1.02	0.76	0.71	0.51	0.56	0.66	0.66
Repairs and maintenance	0.44	0.48	0.58	0.76	0.56	0.44	0.34	0.39	0.45	0.49
Depreciation allowances	1.75	1.47	1.78	0.65	0.96	1.07	0.66	0.55	0.83	1.11
Total occupancy expenses	**4.33**	**3.93**	**4.42**	**5.65**	**6.29**	**5.24**	**4.35**	**4.43**	**5.08**	**4.89**
Office and store supplies	0.40	0.38	0.36	0.98	0.39	0.42	0.33	0.46	0.44	0.42
Advertising	0.67	1.23	1.03	1.51	0.97	1.00	1.22	0.54	0.93	0.96
Net loss on bad debts	0.33	0.31	0.32	1.50	0.38	0.31	0.11	0.31	0.35	0.34
All other expenses	3.75	5.76	5.46	2.59	3.05	2.82	2.90	4.00	3.17	3.83
Total operating expenses	**24.68**	**25.77**	**25.65**	**24.72**	**24.28**	**24.20**	**24.22**	**25.86**	**24.68**	**24.96**
Net operating profit	**4.59**	**2.00**	**3.52**	**6.93**	**1.99**	**5.58**	**2.80**	**1.74**	**3.59**	**3.57**
Non-trading income	0.31	1.65	1.63	0.38	0.26	0.82	1.07	0.47	0.65	0.93
Non-trading expense	—	—	0.18	—	—	0.34	0.01	0.01	0.13	0.14
Net profit before allowances for income tax	**4.90**	**3.65**	**4.97**	**7.31**	**2.25**	**6.06**	**3.86**	**2.20**	**4.11**	**4.36**

SECOND HAND PARTS AND ACCESSORY SHOPS (INDEPENDENT)

Shops in this category are retail businesses specializing in the sale of second hand parts and accessories.

Seventeen usable reports were received from unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated second hand parts and accessory shops was 51.09 per cent. Salaries and wages, excluding the pay for delivery employees, were 10.83 per cent of net sales in 1965. Delivery expenses were 1.73 per cent, total occupancy expenses 9.15 per cent, office and store supplies 0.30 per cent and all other expenses were 5.90 per cent, making total operating expenses 27.91 per cent. Net operating profit before adding net non-trading income and before deduction of proprietors' salaries, withdrawals and income tax amounted to 23.18 per cent. Taking account of non-trading income and expense, net profit was 23.80 per cent.

For the incorporated companies in this kind of business, the gross profit was 54.72 per cent. Salaries and wages, excluding the pay for delivery employees, were 31.01 per cent of net sales. Delivery expenses were 0.26 per cent, total occupancy expenses 9.41 per cent, office and store supplies 0.70 per cent and all other expenses 5.62 per cent, making total operating expenses 47.00 per cent. Net operating profit, before adding non-trading income and before deduction of income tax amounted to 7.72 per cent. Taking account of non-trading income, final net profit was 8.35 per cent.

TABLE 10. Second Hand Parts and Accessory Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of		
	Under $30,000	$30,000-99,999	Total
Number of businesses reporting	9	5	14
Average net sales per business	13,631	68,442	49,559
Average beginning inventory	2,725	14,147	10,212
Average inventory, end of year	3,110	14,817	10,784
Average cost of goods sold	4,796	38,415	26,833
Stock turnover (times per year)	1.64	2.65	2.30
Profit and loss data (Per cent of net sales)			
Gross profit	64.82	43.87	51.09
Operating expenses:			
Employees' salaries and wages (except delivery)	15.20	8.53	10.83
Delivery expenses (including salaries and wages)	3.21	0.95	1.73
Occupancy expenses:			
Taxes	1.91	1.12	1.39
Insurance	1.13	0.68	0.84
Rent	—	—	—
Heat, light and power	1.95	1.40	1.59
Repairs and maintenance	0.38	2.29	1.63
Depreciation allowances	4.40	3.33	3.70
Total occupancy expenses	9.77	8.82	9.15
Office and store supplies	0.60	0.15	0.30
Advertising	0.71	0.29	0.43
Net loss on bad debts	1.17	0.08	0.46
All other expenses	7.57	3.67	5.01
Total operating expenses	38.23	22.49	27.91
Net operating profit	26.59	21.38	23.18
Non-trading income	1.17	1.38	1.31
Non-trading expense	2.01	—	0.69
Net profit before deduction of proprietors' salaries, withdrawals and income tax	25.75	22.76	23.80

TABLE 11. Second Hand Parts and Accessory Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Rented premises with annual net sales of $30,000-199,999
Number of businesses reporting	3
Average net sales per business	102,893
Average beginning inventory	15,761
Average inventory, end of year	19,564
Average cost of goods sold	46,592
Stock turnover (times per year)	2.64
Profit and loss data (Per cent of net sales)	
Gross profit	54.72
Operating expenses:	
Employees' salaries and wages (except delivery)	31.01
Delivery expenses (including salaries and wages)	0.26
Occupancy expenses:	
Taxes	1.34
Insurance	1.35
Rent	3.01
Heat, light and power	[illegible]
Repairs and maintenance	0.44
Depreciation allowances	1.45
Total occupancy expenses	9.41
Office and store supplies	0.70
Advertising	0.73
Net loss on bad debts	0.10
All other expenses	4.79
Total operating expenses	47.00
Net operating profit	7.72
Non-trading income	0.63
Non-trading expense	—
Net profit before allowances for income tax	8.35

SERVICE STATIONS (INDEPENDENT)

This survey of service stations covers retail businesses selling mainly gas, oil, parts and accessories, tires and tubes and also performing service and repairs. The sale of gas and oil must, however, constitute at least 50 per cent of the total trade.

The last survey of operating results of service stations — previously known as filling stations — was carried out for the year 1959. (Catalogue No. 63-408).

Financial data of 1,399 unincorporated service stations and 119 incorporated companies are included in the present report. The gross profit for independent, unincorporated businesses was 21.61 per cent of net sales in 1965. It is of some interest to note that the gross profit as a percentage of net sales for service stations revealed by the 1961 Census of Merchandising was 23.1 per cent. Gross profit ranged from 19.1 per cent for Nova Scotia to 26.5 per cent for British Columbia. The Census statistics pertain to all businesses of this kind, independent as well as chain, and incorporated companies as well as unincorporated businesses. Salaries and wages, in 1965, for independent unincorporated service stations, excluding the pay for delivery employees, were 6.81 per cent of net sales compared with 7.19 per cent in 1959. Total occupancy expenses were 5.21 per cent (4.97 per cent in 1959). Total operating expenses amounted to 15.12 per cent (14.67 per cent). Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 6.49 per cent compared with 7.67 per cent in 1959. Taking account of non-trading income and expense, final net profit was 6.70 per cent (8.04 per cent). In the detailed tables, there is a distinction made between businesses with owned premises and those with rented premises.

In the incorporated sector of the trade for all 119 companies reporting, the gross profit was 25.58 per cent of net sales. (There is no data available for this category of service stations for 1959). Salaries and wages were 14.26 per cent, total occupancy expenses 4.75 per cent, office and store supplies 0.38 per cent and all other expenses were 3.45 per cent, making total operating expenses 22.84 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 2.74 per cent. After adding non-trading income and expense, final net profit was 3.32 per cent. A distinction is also made in this category between service stations with owned premises and businesses with rented premises.

TABLE 12. Service Stations, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of						
	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total
Number of businesses reporting	62	91	184	237	77	6	691
Average net sales per business	15,067	24,513	40,067	70,339	126,799	260,750	76,040
Average beginning inventory	1,843	2,325	3,155	3,889	6,174	6,698	4,007
Average inventory, end of year	1,845	2,287	3,249	4,109	7,574	7,064	4,385
Average cost of goods sold	11,686	18,914	31,346	55,430	99,784	217,993	60,450
Stock turnover (times per year)	6.34	8.20	9.79	13.36	14.51	31.68	12.95
Profit and loss data (Per cent of net sales)							
Gross profit	**22.44**	**22.84**	**21.76**	**21.20**	**21.30**	**16.40**	**21.42**
Operating expenses:							
Employees' salaries and wages (except delivery)	1.80	3.28	4.74	6.48	7.24	7.64	5.68
Delivery expenses (including salaries and wages)	0.06	0.04	0.01	0.03	0.04	—	0.03
Occupancy expenses:							
Taxes	1.69	1.38	0.92	0.90	0.56	0.52	0.95
Insurance	0.94	1.06	0.77	0.64	0.50	0.42	0.70
Rent	—	—	—	—	—	—	—
Heat, light and power	2.44	1.72	1.40	1.05	0.70	0.63	1.23
Repairs and maintenance	0.82	0.78	0.76	0.56	0.45	0.35	0.62
Depreciation allowances	0.81	1.74	1.63	1.42	1.33	0.46	1.40
Total occupancy expenses	**6.70**	**6.68**	**5.48**	**4.57**	**3.54**	**2.38**	**4.90**
Office and store supplies	0.29	0.25	0.40	0.28	0.26	0.07	0.29
Advertising	0.26	0.34	0.32	0.32	0.35	0.82	0.35
Net loss on bad debts	0.43	0.24	0.29	0.22	0.23	0.11	0.25
All other expenses	2.96	3.60	2.90	2.58	2.32	1.96	2.70
Total operating expenses	**12.50**	**14.43**	**14.14**	**14.48**	**13.98**	**12.98**	**14.20**
Net operating profit	**9.94**	**8.41**	**7.62**	**6.72**	**7.32**	**3.42**	**7.22**
Non-trading income	0.92	0.88	0.61	0.38	0.23	0.35	0.47
Non-trading expense	0.03	0.13	0.06	0.22	0.04	—	0.12
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**10.83**	**9.16**	**8.18**	**6.88**	**7.51**	**3.77**	**7.57**

TABLE 12. Service Stations, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965 – Concluded

Item	Rented premises with annual net sales of							Total owned and rented
	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	
Number of businesses reporting	4	15	65	253	317	51	708	1,399
Average net sales per business	16,806	24,995	41,060	76,405	136,741	256,386	109,378	99,801
Average beginning inventory	781	1,142	2,094	2,794	4,392	5,958	3,551	3,682
Average inventory, end of year	745	1,354	2,181	2,913	4,949	6,856	3,900	4,039
Average cost of goods sold	12,430	19,891	33,052	59,957	105,888	203,086	85,574	78,357
Stock turnover (times per year)	16.28	15.94	15.47	21.00	22.67	31.70	21.83	19.28
Profit and loss data (Per cent of net sales)								
Gross profit	**26.04**	**20.42**	**19.50**	**21.53**	**22.56**	**20.79**	**21.69**	**21.61**
Operating expenses:								
Employees' salaries and wages (except delivery)	1.38	3.47	3.45	6.70	8.77	8.96	7.26	6.81
Delivery expenses (including salaries and wages)	–	–	0.01	0.02	0.01	0.20	0.03	0.03
Occupancy expenses:								
Taxes	0.02	0.48	0.40	0.39	0.35	0.25	0.36	0.53
Insurance	0.33	0.58	0.48	0.48	0.45	0.32	0.46	0.53
Rent	3.81	2.93	2.59	2.76	2.66	2.71	2.72	1.94
Heat, light and power	2.14	1.44	1.19	0.91	0.68	0.50	0.83	0.95
Repairs and maintenance	0.01	0.29	0.35	0.33	0.33	0.32	0.33	0.41
Depreciation allowances	0.13	0.86	0.65	0.68	0.64	0.36	0.63	0.85
Total occupancy expenses	**6.44**	**6.58**	**5.66**	**5.55**	**5.11**	**4.46**	**5.33**	**5.21**
Office and store supplies	0.15	0.20	0.37	0.26	0.28	0.21	0.27	0.27
Advertising	0.04	0.24	0.22	0.39	0.44	0.35	0.38	0.37
Net loss on bad debts	1.37	0.29	0.29	0.16	0.18	0.13	0.19	0.21
All other expenses	2.33	2.83	1.85	1.99	2.09	1.82	2.03	2.22
Total operating expenses	**11.71**	**13.61**	**11.85**	**15.07**	**16.88**	**16.13**	**15.49**	**15.12**
Net operating profit	**14.33**	**6.81**	**7.65**	**6.46**	**5.68**	**4.66**	**6.20**	**6.49**
Non-trading income	–	0.19	0.48	0.12	0.16	0.11	0.17	0.26
Non-trading expense	–	–	0.01	0.01	0.02	–	0.02	0.05
Net profit before deduction of proprietors' salaries, withdrawals and income tax	14.33	7.00	8.12	6.57	5.82	4.77	6.35	6.70

TABLE 13. Service Stations, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of					Rented premises with annual net sales of				Total owned and rented
	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	
Number of businesses reporting	3	7	12	4	28	11	44	33	91	119
Average net sales per business	41,479	65,482	145,890	360,448	254,450	81,972	137,678	291,785	191,642	216,996
Average beginning inventory	7,893	2,981	4,450	7,807	6,786	4,459	4,953	9,821	6,783	6,784
Average inventory, end of year	6,026	3,744	5,110	8,639	6,696	4,516	5,571	11,974	7,846	7,382
Average cost of goods sold	30,841	49,356	107,390	269,092	193,351	59,339	99,675	223,012	143,584	163,674
Stock turnover (times per year)	4.43	14.68	22.47	32.72	25.38	13.22	18.94	20.47	18.74	21.42
Profit and loss data (Per cent of net sales)										
Gross profit	**25.65**	**24.63**	**26.39**	**25.35**	**24.95**	**27.61**	**27.60**	**23.57**	**26.01**	**25.58**
Operating expenses:										
Employees' salaries and wages (except delivery)	14.46	13.39	14.10	14.82	13.63	16.22	16.17	12.71	14.69	14.26
Delivery expenses (including salaries and wages)	–	–	–	–	–	–	–	–	–	–
Occupancy expenses:										
Taxes	1.28	0.77	0.92	1.27	0.97	0.41	0.30	0.37	0.34	0.59
Insurance	0.42	0.63	0.59	0.41	0.50	0.61	0.47	0.40	0.46	0.48
Rent	–	–	–	–	–	3.09	2.71	2.58	2.68	1.60
Heat, light and power	1.07	0.97	0.60	1.16	0.80	0.86	0.76	0.68	0.76	0.78
Repairs and maintenance	0.54	0.25	0.23	0.59	0.40	0.42	0.30	0.53	0.39	0.39
Depreciation allowances	0.27	1.12	1.37	1.42	1.29	0.65	0.80	0.52	0.65	0.91
Total occupancy expenses	**3.58**	**3.74**	**3.71**	**4.85**	**3.96**	**6.04**	**5.34**	**5.08**	**5.28**	**4.75**
Office and store supplies	0.57	0.84	0.41	0.19	0.40	0.36	0.32	0.25	0.36	0.38
Advertising	0.65	0.48	0.20	0.32	0.33	0.35	0.45	0.51	0.45	0.40
Net loss on bad debts	0.21	–	0.28	0.18	0.17	0.49	0.36	0.15	0.29	0.24
All other expenses	2.15	2.65	3.70	3.00	3.13	3.01	2.53	2.30	2.60	2.81
Total operating expenses	**21.62**	**21.10**	**22.40**	**23.36**	**21.62**	**26.47**	**25.17**	**21.00**	**23.67**	**22.84**
Net operating profit	**4.03**	**3.53**	**3.99**	**1.99**	**3.33**	**1.14**	**2.43**	**2.57**	**2.34**	**2.74**
Non-trading income	–	0.22	0.74	2.62	1.07	0.10	0.40	0.30	0.31	0.62
Non-trading expense	–	0.05	–	–	0.02	–	–	0.04	0.06	0.04
Net profit before allowances for income tax	4.03	3.70	4.73	4.61	4.38	1.24	2.83	2.83	2.59	3.32

SERVICE STATIONS WITH RESTAURANTS (INDEPENDENT)

To this classification belong establishments selling mainly gas, oil, parts and accessories, tires and tubes and also performing services where sales of these are over 50 per cent of total trade; they also have sales of meals and lunches. The sale of gas and oil constitutes over 40 per cent of total trade. The sale of meals and lunches is between 10 per cent and 50 per cent of total trade.

Service stations with restaurants have never been surveyed before. Only information on unincorporated businesses is available for 1965. Financial data of 55 independent unincorporated service stations with restaurants are included in this report. The gross profit was 18.67 per cent. Employees' salaries and wages, excluding the pay for delivery employees, were 4.54 per cent. Delivery expenses were 0.14 per cent. Total occupancy expenses reached 5.25 per cent and total operating expenses accounted for 13.06 per cent. Net operating profit, before adding net non-trading income and before deduction of proprietors' salaries, withdrawals and income tax was 5.61 per cent. Final net profit after taking account of non-trading income and non-trading expense was 5.78 per cent.

TABLE 14. Service Stations with Restaurants, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of						Rented premises with annual net sales of			Total owned and rented
	$10,000 - 19,999	$20,000 - 29,999	$30,000 - 49,999	$50,000 - 99,999	$100,000 - 199,999	Total	$50,000 - 99,999	$100,000 - 199,999	Total	
Number of businesses reporting	4	7	12	16	5	44	4	4	11	55
Average net sales per business	17,774	26,602	41,008	68,656	131,938	68,172	73,709	134,232	115,739	82,645
Average beginning inventory	1,530	1,630	2,070	2,436	4,416	2,617	2,057	6,272	3,423	2,862
Average inventory, end of year	1,708	1,962	2,395	2,745	4,613	2,902	2,950	5,848	4,007	3,238
Average cost of goods sold	12,650	22,241	33,364	56,326	109,490	56,053	62,180	103,884	90,806	66,627
Stock turnover (times per year)	7.81	12.38	14.94	21.74	24.23	19.06	24.83	17.14	29.39	22.20
Profit and loss data (Per cent of net sales)										
Gross profit	**28.82**	**16.39**	**18.64**	**17.96**	**17.01**	**18.36**	**15.64**	**22.61**	**19.37**	**18.67**
Operating expenses:										
Employees' salaries and wages (except delivery)	–	2.81	2.09	3.71	5.57	3.44	2.92	10.85	7.05	4.54
Delivery expenses (including salaries and wages)	–	–	–	0.46	–	0.20	–	–	–	0.14
Occupancy expenses:										
Taxes	3.14	1.10	0.87	0.64	0.52	0.85	0.19	0.36	0.22	0.66
Insurance	0.92	0.96	0.86	0.75	0.41	0.74	0.45	0.24	0.34	0.62
Rent	–	–	–	–	–	–	1.78	2.40	2.18	0.66
Heat, light and power	2.52	2.31	1.48	1.30	1.09	1.48	1.13	1.51	1.21	1.40
Repairs and maintenance	0.89	0.89	0.84	0.70	0.36	0.69	0.14	0.49	0.29	0.57
Depreciation allowances	3.81	1.46	1.11	2.10	0.59	1.62	0.83	0.59	0.71	1.34
Total occupancy expenses	**11.28**	**6.72**	**5.16**	**5.49**	**2.97**	**5.38**	**4.52**	**5.59**	**4.95**	**5.25**
Office and store supplies	0.33	0.18	0.41	0.46	0.26	0.37	0.87	0.59	0.63	0.45
Advertising	0.33	0.03	0.22	0.23	0.21	0.21	0.12	0.34	0.23	0.22
Net loss on bad debts	0.22	0.05	0.08	–	0.40	0.11	0.01	0.03	0.09	0.10
All other expenses	3.73	2.55	2.85	2.53	2.14	2.59	1.39	2.01	1.83	2.36
Total operating expenses	**15.89**	**12.34**	**10.81**	**12.88**	**11.55**	**12.30**	**9.83**	**19.41**	**14.78**	**13.06**
Net operating profit	**12.93**	**4.05**	**7.83**	**5.08**	**5.46**	**6.06**	**5.81**	**3.20**	**4.59**	**5.61**
Non-trading income	–	0.46	0.50	0.07	0.05	0.19	–	0.70	0.22	0.20
Non-trading expense	–	–	0.11	0.04	–	0.04	–	–	–	0.03
Net profit before deduction of proprietors' salaries, withdrawals and income tax	12.93	4.51	8.22	5.11	5.51	6.21	5.81	3.90	4.81	5.78

RETAIL GARAGES (INDEPENDENT)

To this classification belong retail establishments engaged in making repairs or performing other services in addition to the sale of gas, oil, accessories and parts and also fulfilling one of the two following requirements:

(a) Receipts from repair work and other services constitute between 25 per cent and 50 per cent of total trade.

(b) Receipts from repair work and other services constitute less than 25 per cent of the total trade, but the sale of parts and accessories and the sale of gas and oil each constitutes separately more than 33 per cent of the total trade.

Over ninety usable reports were received from unincorporated and incorporated retail garages. The gross profit for unincorporated businesses was 32.52 per cent of net sales. Salaries and wages, excluding the pay for delivery employees, were 11.53 per cent. Delivery expenses amounted to 0.04 per cent. Total occupancy expenses accounted for 5.90 per cent, office and store supplies for 0.47 per cent, all other expenses for 4.57 per cent. making total operating expenses 22.51 per cent. Net operating profit before adding net non-trading income and before deduction of proprietors' salaries, withdrawals and income tax amounted to 10.01 per cent. Taking account of non-trading income and expense, net profit was 10.30 per cent. In the detailed table there is a distinction made between garages with owned premises and garages with rented premises.

For incorporated companies in this kind of business, the gross profit was 33.32 per cent. Salaries and wages were 15.33 per cent and total occupancy expenses reached 6.98 per cent. Office and store supplies were 0.28 per cent and all other expenses 5.34 per cent, making total operating expenses 27.93 per cent. Net operating profit, before adding non-trading income and before making allowance for income tax, was 5.39 per cent. After adding non-trading income, final net profit was 5.76 per cent.

TABLE 15. Retail Garages, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of							Rented premises with annual net sales of			Total owned and rented
	Under $10,000	$10,000 - 19,999	$20,000 - 29,999	$30,000 - 49,999	$50,000 - 99,999	$100,000 - 199,999	Total	$50,000 - 99,999	$100,000 - 199,999	Total	
Number of businesses reporting	4	9	5	31	26	3	78	4	3	7	85
Average net sales per business	9,056	15,005	26,074	39,275	70,334	137,010	68,337	78,973	104,281	88,379	71,341
Average beginning inventory	2,073	4,890	3,379	4,937	5,405	17,084	7,404	4,711	11,592	7,269	7,384
Average inventory, end of year	2,474	4,775	3,347	5,076	5,565	10,937	6,244	3,208	15,007	7,593	6,446
Average cost of goods sold	5,498	9,608	15,858	27,240	49,298	92,456	46,808	50,409	68,432	57,108	48,352
Stock turnover (times per year)	2.41	1.99	4.72	5.44	8.99	6.59	6.76	12.73	5.15	9.91	7.23
Profit and loss data (Per cent of net sales)											
Gross profit	**39.29**	**35.97**	**39.18**	**30.64**	**29.91**	**32.52**	**32.00**	**36.16**	**34.38**	**35.50**	**32.52**
Operating expenses:											
Employees' salaries and wages (except delivery)	4.14	6.26	10.24	8.23	12.14	13.83	10.93	14.86	15.09	14.95	11.53
Delivery expenses (including salaries and wages)	—	—	—	0.12	0.05	—	0.05	—	—	—	0.04
Occupancy expenses:											
Taxes	4.78	1.81	2.09	1.27	0.79	1.58	1.30	0.29	0.31	0.30	1.15
Insurance	1.97	1.34	1.44	0.87	0.96	0.43	0.92	0.78	0.50	0.68	0.88
Rent	—	—	—	—	—	—	—	2.58	2.30	2.48	0.37
Heat, light and power	5.01	2.52	2.02	1.69	1.12	0.67	1.39	0.99	0.76	0.90	1.32
Repairs and maintenance	0.69	1.94	0.57	1.01	0.78	0.35	0.80	0.23	—	0.14	0.70
Depreciation allowances	0.88	2.42	3.24	1.53	1.54	1.00	1.63	0.73	0.39	0.60	1.48
Total occupancy expenses	**13.33**	**10.03**	**9.36**	**6.37**	**5.19**	**4.03**	**6.04**	**5.60**	**4.26**	**5.10**	**5.90**
Office and store supplies	0.18	0.18	0.31	0.45	0.27	0.43	0.34	1.49	0.71	1.20	0.47
Advertising	0.47	0.45	0.25	0.24	0.21	0.24	0.25	0.33	0.17	0.27	0.25
Net loss on bad debts	1.10	0.75	0.20	0.56	0.85	0.34	0.62	0.08	—	0.05	0.53
All other expenses	4.90	3.81	6.50	3.68	2.83	4.68	3.83	3.50	3.55	3.52	3.79
Total operating expenses	**24.12**	**21.48**	**26.86**	**19.65**	**21.54**	**23.55**	**22.06**	**25.86**	**23.78**	**25.09**	**22.51**
Net operating profit	**15.17**	**14.49**	**12.32**	**10.99**	**8.36**	**8.97**	**9.94**	**10.30**	**10.60**	**10.41**	**10.01**
Non-trading income	—	0.38	0.01	0.30	0.40	0.41	0.33	0.27	0.19	0.24	0.32
Non-trading expense	—	—	—	—	0.11	—	0.04	—	—	—	0.03
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**15.17**	**14.87**	**12.33**	**11.29**	**8.65**	**9.38**	**10.23**	**10.57**	**10.79**	**10.65**	**10.30**

TABLE 16. Retail Garages, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

	Rented premises with annual net sales of		
	$50,000 - 99,999	$100,000 - 199,999	Total
Number of businesses reporting	3	3	6
Average net sales per business	86,844	140,225	120,547
Average beginning inventory	7,446	23,668	17,688
Average inventory, end of year	7,096	24,611	18,154
Average cost of goods sold	56,629	94,712	80,673
Stock turnover (times per year)	7.79	3.92	5.35
Profit and loss data (Per cent of net sales)			
Gross profit	**34.79**	**32.46**	**33.32**
Operating expenses:			
Employees' salaries and wages (except delivery)	19.92	12.65	15.33
Delivery expenses (including salaries and wages)	–	–	–
Occupancy expenses:			
Taxes	0.20	0.57	0.43
Insurance	0.57	1.17	0.95
Rent	4.01	1.83	2.63
Heat, light and power	1.64	1.35	1.46
Repairs and maintenance	0.38	1.28	0.95
Depreciation allowances	0.65	0.51	0.56
Total occupancy expenses	**7.45**	**6.71**	**6.98**
Office and store supplies	0.58	0.10	0.28
Advertising	0.40	0.80	0.65
Net loss on bad debts	0.40	0.84	0.68
All other expenses	3.71	4.19	4.01
Total operating expenses	**32.46**	**25.29**	**27.93**
Net operating profit	2.33	7.17	5.39
Non-trading income	1.01	–	0.37
Non-trading expense	–	–	–
Net profit before allowances for income tax	**3.34**	**7.17**	**5.76**

SERVICE GARAGES (INDEPENDENT)

Garages included in this business category are retail establishments mainly engaged in providing a general line of automotive repairs and services where receipts from this activity constitute more than 50 per cent of total revenue. Gas and oil may also be sold.

Financial data of 364 unincorporated businesses and 34 incorporated companies are included in this report. The gross profit for independent unincorporated service garages was 38.60 per cent. Salaries and wages, excluding the pay for delivery employees were 10.97 per cent of net sales. Delivery expenses amounted to 0.04 per cent. Total occupancy expenses accounted for 7.90 per cent. Office and store supplies were 0.45 per cent, all other expenses 5.13 per cent, making total operating expenses 24.49 per cent. Net operating profit, before adding net non-trading income and before deduction of proprietors' salaries, withdrawals and income tax, amounted to 14.11 per cent. Taking account of non-trading income and expense, net profit was 15.05 per cent. In the detailed table, there is a distinction made between service garages with owned premises and those with rented premises.

For the incorporated service garages the gross profit was 48.38 per cent. Salaries and wages, excluding the pay for delivery employees, were 30.29 per cent, delivery expenses were 0.03 per cent, total occupancy expenses 7.70 per cent, office and store supplies 0.45 per cent and all other expenses amounted to 7.20 per cent, making total operating expenses 45.67 per cent. Net operating profit, before adding non-trading income and before making allowance for income tax, was 2.71 per cent. After adding non-trading income the final profit was 3.29 per cent. A distinction is also made in this category between garages with owned premises and garages with rented premises.

TABLE 17. Service Garages, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of						
	Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	Total
Number of businesses reporting	58	73	57	68	48	12	316
Average net sales per business	6,382	14,752	24,424	38,312	69,407	123,300	53,924
Average beginning inventory	899	1,476	2,396	3,720	6,384	8,144	4,580
Average inventory, end of year	867	1,347	2,349	3,924	6,129	9,631	4,759
Average cost of goods sold	3,219	7,797	15,323	24,347	48,254	82,667	35,876
Stock turnover (times per year)	3.65	5.52	6.46	6.37	7.71	9.30	6.97
Profit and loss data (Per cent of net sales)							
Gross profit	**49.56**	**47.14**	**37.26**	**36.45**	**30.48**	**32.95**	**36.21**
Operating expenses:							
Employees' salaries and wages (except delivery)	3.49	8.02	12.08	10.80	11.41	14.59	11.00
Delivery expenses (including salaries and wages)	0.20	0.13	0.10	0.03	0.02	—	0.05
Occupancy expenses:							
Taxes	3.51	2.18	1.61	1.17	0.84	0.77	1.31
Insurance	1.79	1.87	1.27	1.19	0.91	0.67	1.15
Rent	—	—	—	—	—	—	—
Heat, light and power	3.86	2.96	2.24	1.62	1.03	0.83	1.69
Repairs and maintenance	1.82	1.05	0.70	0.84	0.59	0.49	0.77
Depreciation allowances	2.88	2.21	2.05	2.57	2.16	1.65	2.22
Total occupancy expenses	**13.86**	**10.27**	**7.87**	**7.39**	**5.53**	**4.41**	**7.14**
Office and store supplies	0.47	0.50	0.54	0.47	0.35	0.54	0.46
Advertising	0.21	0.32	0.38	0.35	0.27	0.43	0.33
Net loss on bad debts	0.86	0.70	0.19	0.23	0.26	0.65	0.39
All other expenses	5.88	6.62	4.57	3.71	3.46	3.40	4.15
Total operating expenses	**24.97**	**26.56**	**25.73**	**22.98**	**21.30**	**24.02**	**23.52**
Net operating profit	**24.59**	**20.58**	**11.53**	**13.47**	**9.18**	**8.93**	**12.69**
Non-trading income	4.84	1.06	1.05	0.96	0.37	0.73	1.00
Non-trading expense	0.06	0.28	—	0.04	0.06	0.83	0.20
Net profit before deduction of proprietors' salaries, withdrawals and income tax	29.37	21.36	12.58	14.39	9.49	8.83	13.49

TABLE 17. Service Garages, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965 – Concluded

Item	Rented premises with annual net sales of						Total owned and rented
	Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	Total	
Number of businesses reporting	9	9	6	12	12	48	364
Average net sales per business	5,918	14,293	20,956	39,266	69,200	39,647	50,419
Average beginning inventory	380	782	701	2,955	4,358	2,492	4,067
Average inventory, end of year	420	806	791	3,000	4,966	2,722	4,259
Average cost of goods sold	3,122	6,779	9,462	22,140	42,165	22,686	32,638
Stock turnover (times per year)	7.80	8.54	12.68	7.43	9.04	9.17	7.51
Profit and loss data (Per cent of net sales)							
Gross profit	**47.25**	**52.57**	**54.84**	**43.62**	**39.07**	**45.94**	**38.60**
Operating expenses:							
Employees' salaries and wages (except delivery)	5.52	6.64	14.60	8.61	13.51	10.89	10.97
Delivery expenses (including salaries and wages)	–	–	–	–	–	–	0.04
Occupancy expenses:							
Taxes	2.53	1.36	1.60	0.67	0.53	1.01	1.24
Insurance	1.16	1.57	1.25	0.89	0.78	1.04	1.12
Rent	8.50	5.78	5.49	4.46	3.13	4.65	1.14
Heat, light and power	3.36	2.76	1.36	1.45	0.83	1.53	1.65
Repairs and maintenance	0.26	0.57	0.06	0.89	0.74	0.60	0.73
Depreciation allowances	1.19	1.46	2.88	1.08	0.75	1.39	2.02
Total occupancy expenses	**17.00**	**13.50**	**12.64**	**9.44**	**6.76**	**10.22**	**7.90**
Office and store supplies	0.14	0.22	0.52	0.43	0.54	0.44	0.45
Advertising	0.24	0.73	0.23	0.43	0.54	0.46	0.36
Net loss on bad debts	1.22	0.14	0.02	0.58	0.02	0.26	0.36
All other expenses	3.80	7.02	6.70	4.17	4.50	5.19	4.41
Total operating expenses	**27.92**	**28.25**	**34.71**	**23.66**	**25.87**	**27.46**	**24.49**
Net operating profit	**19.33**	**24.32**	**20.13**	**19.96**	**13.20**	**18.48**	**14.11**
Non-trading income	–	1.81	8.87	0.09	0.37	2.17	1.29
Non-trading expense	–	0.75	2.83	0.51	–	0.82	0.35
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**19.33**	**25.38**	**26.17**	**19.54**	**13.57**	**19.83**	**15.05**

TABLE 18. Service Garages, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of				Rented premises with annual net sales of					Total owned and rented
	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	
Number of businesses reporting	7	3	3	13	6	5	7	3	21	34
Average net sales per business	84,502	153,629	307,696	185,851	36,053	61,358	147,462	261,194	151,240	167,266
Average beginning inventory	11,639	11,206	29,663	17,526	2,373	8,397	7,734	8,334	7,603	12,198
Average inventory, end of year	13,315	14,042	33,828	20,481	2,612	8,494	9,457	11,772	9,314	14,485
Average cost of goods sold	51,361	88,463	134,414	93,419	12,803	33,672	87,278	106,035	72,102	81,973
Stock turnover (times per year)	4.12	7.01	4.23	5.26	5.14	3.99	10.15	10.55	8.16	6.82
Profit and loss data (Per cent of net sales)										
Gross profit	**39.22**	**42.42**	**56.31**	**46.18**	**64.49**	**45.12**	**40.81**	**59.40**	**50.28**	**48.38**
Operating expenses:										
Employees' salaries and wages (except delivery)	26.61	26.63	36.32	29.88	39.15	28.65	25.54	34.69	30.65	30.29
Delivery expenses (including salaries and wages)	–	–	–	–	–	–	0.15	–	0.05	0.03
Occupancy expenses:										
Taxes	1.50	1.18	0.35	0.99	1.05	0.72	0.91	1.38	1.03	1.01
Insurance	0.76	1.08	1.03	0.97	1.27	1.00	0.60	0.61	0.77	0.86
Rent	–	–	–	–	10.53	2.50	3.98	4.82	4.48	2.41
Heat, light and power	1.17	1.16	1.14	1.16	1.94	1.37	0.68	0.93	1.06	1.11
Repairs and maintenance	0.29	1.24	1.98	1.22	1.04	0.58	0.77	0.54	0.67	0.92
Depreciation allowances	1.34	1.30	1.67	1.44	1.61	2.50	0.95	0.73	1.35	1.39
Total occupancy expenses	**5.06**	**5.96**	**6.17**	**5.78**	**17.44**	**8.67**	**7.89**	**9.01**	**9.36**	**7.70**
Office and store supplies	1.10	0.90	0.27	0.74	0.74	0.06	0.19	0.16	0.20	0.45
Advertising	0.73	0.41	0.74	0.61	0.66	1.81	0.38	2.19	1.38	1.02
Net loss on bad debts	0.46	0.30	0.52	0.42	0.75	0.35	0.11	0.24	0.28	0.34
All other expenses	3.91	7.32	7.52	6.42	7.32	5.39	5.00	5.00	5.32	5.84
Total operating expenses	**37.87**	**41.52**	**51.54**	**43.85**	**66.06**	**44.93**	**39.26**	**51.29**	**47.24**	**45.67**
Net operating profit	**1.35**	**0.90**	**4.77**	**2.33**	**1.58**[1]	**0.19**	**1.55**	**8.11**	**3.04**	**2.71**
Non-trading income	0.31	0.25	0.17	0.24	2.23	0.01	0.52	1.51	0.87	0.58
Non-trading expense	–	–	–	–	–	–	–	–	–	–
Net profit before allowances for income tax	**1.66**	**1.15**	**4.94**	**2.57**	**0.65**	**0.20**	**2.07**	**9.62**	**3.91**	**3.29**

[1] Net operating loss.

PAINT AND BODY SHOPS (INDEPENDENT)

Businesses in this category are retail shops mainly engaged in repairs to auto bodies, or in painting and refinishing automobiles. Also included may be repairs to radiators, tops, and springs; accessories, parts and gas and oil may be sold, but body repairs must constitute at least 50 per cent of receipts.

Over 200 usable reports were received from unincorporated businesses and incorporated companies for this first survey of paint and body shops. The gross profit for independent, unincorporated paint and body shops was 54.64 per cent of net sales in 1965. For 1961, the Census of Merchandising produced a figure of 56.4 per cent but this calculation included the data from incorporated companies, unincorporated businesses and chain and independent shops. Ratios for 1961 ranged from 52.6 per cent for Quebec to 61.6 per cent for Newfoundland. Salaries and wages, in 1965, for independent unincorporated paint and body shops, excluding the pay for delivery employees, were 21.43 per cent of net sales. Delivery expenses amounted to 0.04 per cent. Total occupancy expenses reached 8.52 per cent, office and store supplies 1.00 per cent, all other expenses 6.69 per cent, making total operating expenses 37.68 per cent. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax, and addition of net non-trading income, was 16.96 per cent. Taking account of non-trading income and expense, net profit was 17.42 per cent. In the detailed table, there is a distinction made between shops with owned premises and shops with rented premises.

In the incorporated sector of the trade, for all companies, the gross profit was 56.68 per cent of net sales. Salaries and wages were 33.51 per cent. Total occupancy expenses reached 7.36 per cent, office and store supplies were 0.58 per cent, all other expenses accounted for 6.85 per cent, making total operating expenses 48.30 per cent. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax, and addition of net non-trading income, was 8.38 per cent. The final net profit, after taking account of non-trading income and expense, amounted to 8.58 per cent of net sales. In the detailed tables, there is a distinction made between companies with owned and companies with rented premises.

TABLE 19. Paint and Body Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of					
	$10,000 - 19,999	$20,000 - 29,999	$30,000 - 49,999	$50,000 - 99,999	$100,000 - 199,999	Total
Number of businesses reporting	36	17	24	32	7	117
Average net sales per business	14,804	24,030	39,889	67,714	124,639	56,930
Average beginning inventory	621	1,270	3,471	2,328	2,176	2,210
Average inventory, end of year	664	1,385	2,709	2,258	2,792	2,114
Average cost of goods sold	6,118	10,647	19,184	33,098	59,096	26,947
Stock turnover (times per year)	953	8.02	6.21	14.43	23.79	12.04
Profit and loss data (Per cent of net sales)						
Gross profit	**58.67**	**55.70**	**51.91**	**51.12**	**52.59**	**53.41**
Operating expenses:						
Employees' salaries and wages (except delivery)	12.63	17.76	22.19	23.59	26.59	21.29
Delivery expenses (including salaries and wages)	0.13	—	0.16	—	—	0.06
Occupancy expenses:						
Taxes	1.80	2.11	1.35	1.24	1.24	1.49
Insurance	1.56	1.27	1.53	0.97	1.18	1.25
Rent	—	—	—	—	—	—
Heat, light and power	2.77	2.14	2.05	1.48	1.35	1.89
Repairs and maintenance	0.88	1.29	0.54	0.65	0.39	0.73
Depreciation allowances	2.77	2.98	1.90	2.18	2.18	2.32
Total occupancy expenses	**9.78**	**9.79**	**7.37**	**6.52**	**6.34**	**7.68**
Office and store supplies	1.59	0.40	2.08	0.69	0.90	1.14
Advertising	0.41	0.54	0.43	0.62	0.97	0.57
Net loss on bad debts	0.18	0.19	0.36	0.55	0.23	0.34
All other expenses	8.93	6.68	5.76	5.05	5.96	6.13
Total operating expenses	**33.65**	**35.36**	**38.35**	**37.02**	**40.99**	**37.21**
Net operating profit	**25.02**	**20.34**	**13.56**	**14.10**	**11.60**	**16.20**
Non-trading income	0.57	0.57	0.36	0.98	0.43	0.62
Non-trading expense	0.43	0.21	0.07	—	0.61	0.18
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**25.16**	**20.70**	**13.85**	**15.08**	**11.42**	**16.64**

TABLE 19. Paint and Body Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965 – Concluded

Item	Rented premises with annual net sales of					Total owned and rented
	$10,000 - 19,999	$20,000 - 29,999	$30,000 - 49,999	$50,000 - 99 999	Total	
Number of businesses reporting	9	14	17	6	48	165
Average net sales per business	16,165	24,652	37,905	65,966	62,310	58,852
Average beginning inventory	110	767	1,058	3,713	1,800	2,063
Average inventory, end of year	223	749	1,360	3,403	1,878	2,030
Average cost of goods sold	5,817	10,524	17,934	27,322	26,574	26,814
Stock turnover (times per year)	35.83	13.89	14.83	7.68	17.61	14.03
Profit and loss data (Per cent of net sales)						
Gross profit	**64.02**	**57.31**	**52.69**	**58.58**	**56.86**	**54.64**
Operating expenses:						
Employees' salaries and wages (except delivery)	13.32	19.07	18.27	25.59	21.67	21.43
Delivery expenses (including salaries and wages)	—	—	—	—	—	0.04
Occupancy expenses:						
Taxes	0.84	1.01	0.73	0.30	0.65	1.19
Insurance	1.37	1.16	0.85	1.10	0.97	1.15
Rent	6.95	5.78	4.58	3.61	5.01	1.79
Heat, light and power	2.21	2.22	1.48	1.45	1.54	1.76
Repairs and maintenance	0.32	0.29	0.71	0.27	0.42	0.62
Depreciation allowances	1.96	1.34	1.80	0.78	1.44	2.01
Total occupancy expenses	**13.65**	**11.80**	**10.15**	**7.51**	**10.03**	**8.52**
Office and store supplies	1.26	1.19	0.44	0.74	0.75	1.00
Advertising	1.00	0.41	0.45	0.85	0.58	0.57
Net loss on bad debts	0.14	0.30	0.37	0.56	0.45	0.37
All other expenses	8.67	5.44	4.86	3.77	5.06	5.75
Total operating expenses	**38.04**	**38.21**	**34.54**	**39.02**	**38.54**	**37.68**
Net operating profit	**25.98**	**19.10**	**18.15**	**19.56**	**18.32**	**16.96**
Non-trading income	—	1.74	—	—	0.57	0.60
Non-trading expense	—	—	0.21	—	0.06	0.14
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**25.98**	**20.84**	**17.94**	**19.56**	**18.83**	**17.42**

TABLE 20. Paint and Body Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of				Rented premises with annual net sales of					Total owned and rented
	$30,000 - 49,999	$50,000 - 99,999	$200,000 - 499,999	Total	$30,000 - 49,999	$50,000 - 99,999	$100,000 - 199,999	$200,000 - 499,999	Total	
Number of businesses reporting	4	9	3	16	4	6	13	5	28	44
Average net sales per business	38,424	78,025	293,249	119,153	38,040	70,317	148,388	242,330	139,946	135,488
Average beginning inventory	2,173	2,336	7,583	3,535	3,860	1,675	3,254	2,993	2,854	3,000
Average inventory, end of year	2,148	3,557	800	2,562	3,933	2,824	3,958	2,551	3,453	3,262
Average cost of goods sold	15,931	27,886	132,901	49,753	13,622	26,913	70,129	111,491	63,916	60,879
Stock turnover (times per year)	7.38	9.47	31.70	14.21	3.50	11.97	19.45	40.22	20.32	19.01
Profit and loss data (Per cent of net sales)										
Gross profit	**58.54**	**64.26**	**54.68**	**60.60**	**64.19**	**61.72**	**52.73**	**53.99**	**55.61**	**56.68**
Operating expenses:										
Employees' salaries and wages (except delivery)	36.32	35.41	36.76	35.95	35.97	31.97	33.39	31.43	32.84	33.51
Delivery expenses (including salaries and wages)	—	—	—	—	—	—	—	—	—	—
Occupancy expenses:										
Taxes	1.98	1.63	1.00	1.57	0.72	0.37	0.38	0.65	0.44	0.68
Insurance	1.73	1.57	0.69	1.40	1.84	1.31	0.67	0.69	0.88	0.99
Rent	—	—	—	—	4.06	2.31	3.35	2.12	2.93	2.30
Heat, light and power	2.08	1.88	0.70	1.65	1.28	1.48	1.01	0.93	1.12	1.23
Repairs and maintenance	0.71	0.47	0.98	0.65	0.84	0.68	0.37	0.84	0.54	0.56
Depreciation allowances	4.43	3.22	2.66	3.38	2.29	1.28	1.02	0.87	1.11	1.60
Total occupancy expenses	**10.93**	**8.77**	**6.03**	**8.65**	**11.03**	**7.43**	**6.80**	**6.10**	**7.02**	**7.36**
Office and store supplies	0.22	1.41	0.26	0.85	0.20	0.23	0.72	0.26	0.50	0.58
Advertising	0.66	0.84	1.00	0.83	0.89	0.87	0.66	1.96	0.93	0.91
Net loss on bad debts	0.41	0.49	0.25	0.42	0.91	0.58	0.54	0.19	0.51	0.49
All other expenses	8.61	4.65	4.67	5.62	12.60	5.24	4.06	8.32	5.40	5.45
Total operating expenses	**57.15**	**51.57**	**48.97**	**52.32**	**61.60**	**46.32**	**46.17**	**48.26**	**47.20**	**48.30**
Net operating profit	**1.39**	**12.69**	**5.71**	**8.28**	**2.59**	**15.40**	**6.56**	**5.73**	**8.41**	**8.38**
Non-trading income	—	0.35	0.10	0.21	0.02	—	0.37	0.10	0.22	0.22
Non-trading expense	—	0.20	—	0.10	—	—	—	0.03	—	0.02
Net profit before allowances for income tax	**1.39**	**12.84**	**5.81**	**8.39**	**2.61**	**15.40**	**6.93**	**5.80**	**8.63**	**8.58**

OTHER SPECIALTY REPAIR SHOPS (INDEPENDENT)

To this business classification belong retail shops engaged in the repair of mufflers, radiators, ignition, etc. Parts and accessories, gas and oil may be sold, but the revenue from the major activity, e.g., muffler repair, should be greater than 75 per cent of total receipts.

Financial data of 63 unincorporated businesses and 30 incorporated companies are included in this report. The gross profit for independent, unincorporated businesses was 60.45 per cent of net sales in 1965. It is of some interest to note that the gross profit as a percentage of net sales for other specialty repair shops revealed by the 1961 Census of Merchandising was 51.1 per cent. Gross profit ranged from 41.4 per cent for New Brunswick to 57.2 per cent for Alberta. The Census statistics pertain to all shops of this kind, independent as well as chain, and incorporated companies as well as unincorporarated businesses. Salaries and wages, in 1965, excluding the pay for delivery employees, were 19.57 per cent of net sales. Delivery expenses were 0.86 per cent, total occupancy expenses 9.98 per cent, office and store supplies 0.77 per cent and all other expenses 7.14 per cent, making total operating expenses 38.32 per cent. Net operating profit, before adding net non-trading income and before deduction of proprietors' salaries, withdrawals and income tax was 22.13 per cent. Taking account of non-trading income and non-trading expense, the final net profit amounted to 22.72 per cent. In the detailed tables, there is a distinction made between other specialty repair shops with owned premises and shops with rented premises.

In the incorporated sector of the trade, employees' salaries and wages (except delivery) accounted for 31.07 per cent of net sales for 30 companies reporting. Delivery expenses were 1.13 per cent. Total occupancy expenses amounted to 8.97 per cent, office and store supplies to 0.53 per cent and total operating expenses to 51.05 per cent, leaving a net operating profit of 7.87 per cent. After taking account of non-trading income and non-trading expense, final net profit before allowances for income tax was 8.07 per cent. In the detailed tables, also in this section, there is a distinction made between other specialty repair shops with owned premises and shops with rented premises.

TABLE 21. Other Specialty Repairs Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965

Item	Owned premises with annual net sales of					
	Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	Total
Number of businesses reporting	5	6	6	9	10	38
Average net sales per business	7,320	12,361	25,330	40,002	63,210	50,300
Average beginning inventory	170	1,255	4,276	2,711	5,372	3,651
Average inventory, end of year	170	1,502	4,251	2,901	5,215	3,738
Average cost of goods sold	2,784	4,760	11,054	14,959	29,147	21,219
Stock turnover (times per year)	16.38	3.45	2.59	5.33	5.51	5.90
Profit and loss data (Per cent of net sales)						
Gross profit	**61.96**	**61.50**	**56.36**	**62.61**	**53.89**	**58.54**
Operating expenses:						
Employees' salaries and wages (except delivery)	0.49	1.53	19.49	25.02	22.43	19.32
Delivery expenses (including salaries and wages)	1.13	0.81	0.70	0.33	0.84	0.59
Occupancy expenses:						
Taxes	2.91	2.22	3.12	1.33	1.38	1.76
Insurance	1.57	1.31	2.42	1.47	1.34	1.46
Rent	—	—	—	—	—	—
Heat, light and power	4.57	3.36	2.73	1.21	1.49	1.99
Repairs and maintenance	0.81	1.07	1.74	0.76	1.10	1.09
Depreciation allowances	2.62	3.47	4.14	2.21	2.52	3.03
Total occupancy expenses	**12.48**	**11.43**	**14.15**	**6.98**	**7.83**	**9.33**
Office and store supplies	0.57	0.44	0.03	0.53	0.73	0.52
Advertising	0.63	1.21	0.65	0.84	1.59	1.04
Net loss on bad debts	—	0.32	0.30	0.45	0.80	0.64
All other expenses	6.83	7.87	4.53	6.47	4.66	5.86
Total operating expenses	**22.13**	**23.61**	**39.85**	**40.62**	**38.88**	**37.30**
Net operating profit	**39.83**	**37.89**	**16.51**	**21.99**	**15.01**	**21.24**
Non-trading income	0.25	1.70	2.57	0.78	0.90	1.18
Non-trading expense	—	0.87	—	1.51	—	0.50
Net profit before deduction of proprietors' salaries, withdrawals and income tax	40.08	38.72	19.08	21.26	15.91	21.92

TABLE 21. Other Specialty Repair Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1965 — Concluded

Item	Rented premises with annual net sales of: Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	Total	Total owned and rented
Number of businesses reporting	7	7	5	4	25	63
Average net sales per business	6,469	14,234	24,381	40,886	34,800	44,423
Average beginning inventory	196	2,054	316	2,980	1,994	3,023
Average inventory, end of year	174	2,389	603	5,269	2,621	3,314
Average cost of goods sold	1,504	6,572	8,098	13,938	12,440	17,891
Stock turnover (times per year)	8.13	2.96	17.60	3.38	7.53	6.52
Profit and loss data (Per cent of net sales)						
Gross profit	**76.75**	**53.82**	**66.78**	**65.91**	**63.57**	**60.45**
Operating expenses:						
Employees' salaries and wages (except delivery)	0.26	9.41	19.38	23.03	19.99	19.57
Delivery expenses (including salaries and wages)	0.83	2.42	2.50	0.73	1.30	0.86
Occupancy expenses:						
Taxes	0.69	0.70	0.78	1.18	0.78	1.39
Insurance	0.53	1.46	1.43	0.84	1.12	1.33
Rent	8.37	5.92	4.59	2.02	4.81	1.82
Heat, light and power	1.71	2.08	2.64	0.92	1.54	1.82
Repairs and maintenance	0.42	0.48	1.24	0.43	0.88	1.01
Depreciation allowances	0.52	2.09	3.25	2.23	1.93	2.61
Total occupancy expenses	**12.24**	**12.73**	**13.93**	**7.62**	**11.06**	**9.98**
Office and store supplies	1.00	1.36	0.42	1.99	1.17	0.77
Advertising	1.49	0.68	0.89	0.43	0.93	1.00
Net loss on bad debts	0.08	0.07	0.15	0.13	0.08	0.43
All other expenses	14.42	6.37	3.78	3.70	5.46	5.71
Total operating expenses	**30.32**	**33.04**	**41.05**	**37.63**	**39.99**	**38.32**
Net operating profit	**46.43**	**20.78**	**25.73**	**28.28**	**23.58**	**22.13**
Non-trading income	–	1.14	0.89	0.68	0.60	0.96
Non-trading expense	–	–	0.93	–	0.17	0.37
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**46.43**	**21.92**	**25.69**	**28.96**	**24.01**	**22.72**

TABLE 22. Other Specialty Repair Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1965

Item	Owned premises with annual net sales of under $200,000	Rented premises with annual net sales of: $10,000-19,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	Total	Total owned and rented
Number of businesses reporting	4	3	6	9	8	26	30
Average net sales per business	110,853	17,661	39,566	68,474	157,870	97,225	102,150
Average beginning inventory	9,508	1,670	3,429	9.816	21,396	13,155	11,837
Average inventory, end of year	11,990	2,041	3,697	9,176	20,641	12,620	12,392
Average cost of goods sold	45,291	4,993	13,865	25,912	76,494	42,993	43,824
Stock turnover (times per year)	4.21	2.65	3.89	2.73	3.64	3.22	3.58
Profit and loss data (Per cent of net sales)							
Gross profit	**59.14**	**71.73**	**64.96**	**62.16**	**51.55**	**58.79**	**58.92**
Operating expenses:							
Employees' salaries and wages (except delivery)	28.35	30.55	37.02	34.11	29.55	32.61	31.07
Delivery expenses (including salaries and wages)	1.77	–	0.46	0.81	0.88	0.76	1.13
Occupancy expenses:							
Taxes	0.76	0.35	0.56	1.10	0.88	0.92	0.86
Insurance	0.74	1.35	1.41	1.56	1.46	1.50	1.23
Rent	–	5.09	4.19	5.07	2.67	4.04	2.58
Heat, light and power	0.93	1.19	1.44	1.19	1.29	1.26	1.14
Repairs and maintenance	0.16	0.60	0.70	1.38	2.25	1.60	1.08
Depreciation allowances	2.09	1.21	1.29	2.41	2.02	2.08	2.08
Total occupancy expenses	**4.68**	**9.79**	**9.59**	**12.71**	**10.57**	**11.40**	**8.97**
Office and store supplies	0.26	1.78	0.62	0.76	0.51	0.68	0.53
Advertising	1.01	0.68	1.49	1.80	1.24	1.51	1.33
Net loss on bad debts	0.42	0.14	0.68	0.35	0.93	0.61	0.54
All other expenses	8.55	10.11	7.11	7.45	5.80	6.87	7.48
Total operating expenses	**45.04**	**53.05**	**56.97**	**57.99**	**49.48**	**54.44**	**51.05**
Net operating profit	**14.10**	**18.68**	**7.99**	**4.17**	**2.07**	**4.35**	**7.87**
Non-trading income	0.70	0.02	0.12	0.20	1.82	0.80	0.76
Non-trading expense	1.53	–	–	0.05	–	0.02	0.56
Net profit before allowances for income tax	**13.27**	**18.70**	**8.11**	**4.32**	**3.89**	**5.13**	**8.07**

DEFINITIONS

PROFIT AND LOSS

Items

Net sales—the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases—are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold—determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit—the difference between "cost of goods sold" and "net sales".

Operating expenses—all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except for delivery employees)—payments to employees (wages, salaries, bonuses, payments for leave, payments in kind) before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery—includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes—business, property and water taxes and licenses. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance—annual proportion of premiums for insurance policies carried to protect the business.

Rent—payments for use of business premises.

Heat, light and power—cost applicable to year's operations.

Repairs and maintenance—costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation—Write-offs for the year of fixed assets used in the business only, or rates authorized by the Income Tax Department.

Store supplies—wrapping paper, office supplies, etc.

Advertising—displays, window dressing and sales promotion.

Net bad debt loss—estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses—telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit—is the difference between "total operating expenses" and "gross profit" and in the case of unincorporated businesses includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy—the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income—interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense—interest expense, rental expense, any other expense not pertaining to the business.

Ratios

Stock turnover—the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio—sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios—each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio—the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.